THE Freeman

IDEAS ON LIBERTY

OCTOBER 1956

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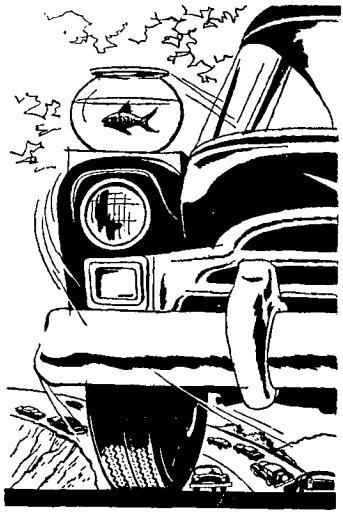

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Years of easy credit, malinvestment, union domination, and other aspects of political intervention lead to a day of reckoning for Britain's auto industry.

Trade Union Crisis

Colm Brogan

EVER SINCE the end of the War it has been the proudest boast of British politicians that full employment has been maintained in spite of all difficulties. Conservatives and socialists have disputed as to which party can claim the major part of the credit, but both parties, at least in public, take it for granted that full employment is an unmixed boon.

That has never been the view of serious economists. Full employment in Britain has meant roughly ten jobs for every nine men, and the results have been highly damaging to industry in a variety of ways. Laborers have been tempted to shift from job to job in the most casual way, which does not help industrial efficiency. There has also been a large amount of concealed unemployment. In slack times firms have kept workers, especially skilled workers, on the payroll with nothing to do lest those workers be lost to the firm forever if dismissed for even a week or so. Firms also saw little or no advantage in dismissing the lazy or inefficient worker. One builder said to me bitterly, "I have a couple of loafers working for me. I give them the sack and the Labor Exchange then sends me two other loafers another employer has just sacked."

But the most damaging effect has been a serious distortion of the pattern of employment. Some British industries are overmanned, while other essential in-

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dustries are badly undermanned. The mining industry and transport badly need more workers, but the miners have so lavishly advertised the hardships of their life that possible recruits go to more agreeable jobs instead. It is a curious fact that although the miners are now the highest-paid manual workers in Britain, they still feel acutely that they are regarded as socially inferior. As more and more industrial jobs can be done with clean hands, the men in the necessarily dirty mines increasingly resent the dirt. One man suing for divorce named among his grievances the fact that his wife had made him give up a well-paid job in the mines "because of the social stigma."

The unpopularity of transport work has another explanation. Pay in this occupation is relatively low and cannot be substantially increased for there is a great public outcry every time the fares go up.

The effects of overfull employment have been seen most clearly in the motor industry. For ten years this industry has been on velvet. At home a huge new market has been opened by the great rise in incomes of wage earners. The higher-paid workers are now willing to buy cars, not only for their usefulness, but also to gratify their self-esteem. At the same

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time, the foreign markets were easy for years. The foreign demand for cars was great, but the foreign supply of dollars was small, and this shortage constituted a barrier against American cars in the soft currency markets. In those places where dollars were plentiful American cars swept the board.

As a result of these comfortable conditions, the British industry took things altogether too easy. There were too many men employed and too many of these men did altogether too little, as some of the more earnest workers have bitterly said. It cannot be said that all the blame lay with the men. Complaints came from all over the world of shoddy workmanship, late deliveries, and the refusal of British manufacturers to modify their product to suit road and climatic conditions far different from the conditions prevailing in Britain. Management can hardly pretend that it has no responsibility for a state of affairs that has enabled the German Volkswagen almost to annihilate the market for British cars in Scandinavia.

THE CONTRAST between the complacency of the car industry and the strenuous efficiency of the steel industry was remarkable. The steel bosses were, of course, under the spur of competition all the time. Although the British output of steel has greatly expanded, imports are still necessary, and these imports provide a standard for measuring the efficiency of production.

It has long been clear enough to the most casual observer that the motor industry would be the first to feel the pinch when times became more critical. The pinch has come, not only from outside influences but also from deliberate government policy. Continental rivals were eating into British markets in a big way, and other countries, facing much the same difficulties as Britain herself, cut down their imports. At the same time, the home market was deliberately restricted by Chancellor MacMillan through pressure on banks to restrict personal loans and through a steep increase in the down payments for installment purchases.

The Chancellor's particular purpose in the motor industry was to shrink the home market so that manufacturers would fight harder and more effectively for foreign orders than they had done in the recent past. But his general purpose was to squeeze labor out of this and other industries and get the men into jobs where they were badly needed.

The reactions of both management and men to this slight unem-

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ployment were deeply interesting. The first trial came at the Standard works in Coventry. This firm, though not one of the largest, has recently had a notable record of efficiency and enterprise under a highly capable manager, Mr. Alick Dick. Alick Dick announced that plans for automation would necessitate laying off thousands of men, and he made it clear that there was no probability of re-employment for all in the foreseeable future. Since the purpose of automation is to reduce labor costs — fewer men for the same quantity of product—his statement seemed perfectly reasonable. But it created headline news all over Britain and provoked a violent and even virulent storm of protest, with strikes, walk-outs, and angry demonstrations.

IT WAS IDLE to point out that every one of the displaced men could easily find another job. The other jobs available were not so well paid and the conditions of work in some cases were not arduous. The other reason for the outburst goes far beyond the motor industry. For a long generation British workmen have labored under the philosophy that it is the duty of the State to see that every man has a job. Many workers have come to believe that it is the duty of the State to find a man the kind of work he wants to do in the place where he wants to do it. In the darkest days of the prewar depression, government officials pled with young unmarried miners to leave their bleak villages of limited employment opportunity and go to the Midlands where there was work in the car factories. Time and again they were told that the unemployed miners had a right to a job in their own village; and as a result, Coventry, Dagenham, and Birmingham filled up with immigrant Irish laborers drawing high wages while the miners remained idle on the dole.

This claim of a right to a job was officially sanctified by Sir Stafford Cripps in the first postwar socialist government when he said it was his job and his duty to "bring the work to the worker." This has tended to immobilize the British workmen. Many of the jobs that the dispossessed Standard men could have had were fifteen or twenty miles from their homes, and they dug their heels in. They felt they had a right to a job around the corner.

The row at Standard eventually died down. The men first demanded that all should remain in employment whether there was work for them to do or not. To this Alick Dick briskly replied that he did not mean to "employ men for

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fun." As the men knew in their hearts that this was simple and refreshing common sense, they made a second demand that all should be put on short time to avoid any sackings. Alick Dick once again said "No." To have adopted this device would have been uneconomic for the firm, and it would have nullified the government's effort to shift the men into other work. In fact, the government then would have been subsidizing the defeat of its own policy, for it is possible in Britain for a man working part time to draw unemployment benefit for his idle days. In the end the men went quietly enough to other employment.

WITHIN a matter of weeks, Alick Dick who had been denounced as an industrial Fascist was being admired as a model of tact, consideration, human kindness, and understanding. The reason for this ironical reversal was the truly ugly trouble that broke out in the great British Motor Corporation. This firm — a merger of Nuffield's and Austin's — dismissed six thousand men with an abruptness that took everybody's breath away. Instead of a week's notice, the men were given a week's wages and promptly dismissed. The unions and the Labor party shouted in rage. Iain MacLeod, the Tory Minister of Labor, was publicly furious, and the Prime Minister nodded vigorous agreement.

But there was method in the shock tactics of Sir Leonard Lord, the head of B.M.C. He had observed the Standard trouble and had drawn his own conclusions. The weeks between the announcement of the intended dismissals and the act had been weeks of bitterness and disrupted production in the Standard firm. Sir Leonard had noticed also that the fighting spirit of the Standard workers faded notably as soon as the men knew which were to go and which to stay in their jobs. When the threat of dismissal was lifted from the great majority of the workers, they were much more inclined to accept the logic of the management's position.

Accordingly, Sir Leonard issued the dismissal notices without argument or parley and got the men off the premises at once. The move was brusque, but the management had judged the mood of the men shrewdly enough. The men knew that in a falling market a swollen staff could not be maintained. Left to themselves, they would have grumbled, and a minority would have demanded strike action; but by far the greater part would have been silently thankful for their own good luck and stayed at the bench.

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But the management had reckoned without the trade union hierarchy. Fifteen different unions had members employed by B.M.C. and they instantly demanded that the dismissals be canceled. Almost as an afterthought, they added a claim for compensation. Both demands were refused, and a strike was called under conditions that were little short of suicidal. It is an elementary principle of trade unionism not to call a strike when trade is bad. The unions ignored this principle. They made no attempt to poll their members, and they called the strike for the week before the annual holiday shutdown, when the workers were anxious to collect as much money as they could.

THE RESULT was disastrous. More than half the workers refused to obey the call, and of those who did obey it was clear that many thousands had no wish to strike but were merely showing their union loyalty. The first day's picketing was amicable enough, but by the second day feeling had suddenly turned bitter. There was real venom in the catcalls and the police were kept busy breaking up quite nasty fights. Further, the pickets resorted to illegal methods to stop the men who were working, and the unions sent flying squads of militants in cars to stiffen resistance at the weakest spots.

In addition, the auto unions called for secondary support. Building workers were asked to refuse to work on B.M.C. contracts; rail men and dockers were asked to refuse to handle B.M.C. goods. These men, if they chose, could "black list" all B.M.C. work with little loss to themselves, for they could do other work instead. Thus, union leaders were asking men outside B.M.C. to tighten the strike grip when more than half of the B.M.C. men refused to strike at all. As a crowning irony, by the time the strike began, most of the dismissed men had already found employment elsewhere.

One question was asked everywhere. Why did responsible, respectable, and moderate leaders of important unions take this suicidal course? The answer was sadly simple. They could not help themselves. The lightning dismissal of the six thousand men was possibly the best way of handling the situation, but it bypassed the unions so completely that they might as well not have existed.

UP TO THE LAST moment, the union leaders hoped desperately that the employers would make some conciliatory move enabling them to save their faces. Then the lamentable result of the first day of

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strike made their position intolerable. For years the authority of the union leaders had been slighted by wildcat unofficial strikes that could be counted literally by the thousand. Now their authority was threatened with extinction by the refusal of the same men to come out on an official strike. By the second day the leaders were no longer fighting for compensation or restoration, but they were fighting for their own professional lives.

It is possible to sympathize with them in their dire emergency, and at the same time to concede that they brought their troubles on themselves. The first setback in overfull employment was bound to create trouble among workers who had been used for ten years to give the boss the sack by walking out but were no longer used to getting the sack themselves.

But the unions had done absolutely nothing to prepare for the day. They had pressed steadily for higher wages and shorter hours and for nothing else. Outside of their orthodox routines they had done no serious thinking at all.

THAT IS THE TRAGEDY of the strike, but the picture is not all black. One may hope that the first hint of hardship had induced some of the workers to shake off their damaging complacency and take a realistic view of Britain's economic difficulties.

If realism is coming, it is coming none too soon, and it must come in all British industry. The huge contract for the Kariba Dam in Rhodesia was lost to the Italians because the British bid was a million and a half pounds higher. The disappointed head of one British firm plaintively said that they were outbid because they treated their workers so well, providing them with such amenities as swimming pools. The Rhodesians coldly retorted that they were a poor people, and firmly declined to pay for the British worker's swimming pool. All over Africa the same dismal tale is told. The new industrial firms which have done worst are the British firms, and of these the firms which employ British labor on the spot have done even worse than the others; they have been flattened by the French and the Italians.

In the first week of the strike, the government issued a publication which disposes of fond self-comforting British delusions that the Germans are beating us in trade because of some unfair advantages. German industry enjoys no advantages fair or unfair. In fact, it is rather more heavily handicapped than British industry. The bare figures for the last five years carry their own bleak

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indictment. In the metal-using industries, wages have risen almost equally in Germany and in Britain. But German labor costs have remained stationary whereas British labor costs have risen by one quarter. The difference is explained by a sharp rise in German productivity.

This is what is meant by "pricing ourselves out of the market." This is the result of incessant socialist propaganda to convince the British workingman that his standard of living and his social security are inalienable rights which he is entitled to demand regardless of productivity or the state of world markets. This propaganda has had a most damaging effect, but there are indications that workmen are beginning to see that there is no "right to work" when there is no work to do, and that a person's standard of living is not laid down from on high, but is what he makes it.

A Free Market For Labor

MOST PEOPLE want commodities to be sold in free markets, but many doubt if such markets are suitable for the determination of wage rates. They insist that workers should be permitted, or even encouraged, to organize and bargain collectively with their employers. They believe that just wages can be had only if workers are permitted to collectively decide the minimum price at which they will sell their services, and, if agreement cannot be reached with their employers, to enforce their demands by the use of strikes and boycotts. In short, the price-fixing practices which are forbidden to the sellers of commodities are accepted as proper for those who sell their services. . . .

By definition, a free market for labor is one in which no monopoly power is exercised by either employers or workers. In such markets, how much will a prospective worker receive? The amount of the offer cannot be predicted, but this much is evident:

1. The employer will not offer more than his estimate of the value to him of the worker's services.
2. The worker will not accept any offer that is less attractive than he can get from some other firm.

Within these limits, if he is to work for the firm in question, a wage must be agreed upon. If there is a more just method of determining wages, I have yet to hear of it.

GLENN E. HOOVER,
A Just Distribution of Wealth

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No Rights *without* Property Rights

Frank Chodorov

READING between the lines of the news stories from Russia, or rather the commentaries on the news, one detects a note of hopefulness. Perhaps, they seem to say, the demotion of Stalin portends a measure of freedom for the Russian people. Admitting that a controlled economy is undesirable, is brutality a necessary concomitant of it? Cannot personal freedom coexist with the abolition of private property? The commentaries hint at that possibility.

Something like that reaction met the news of the Bolshevik Revolution in 1918. In the early part of the century, Czarism was held to be the lowest form of political organization. Nothing could be worse! Hence, when the overthrow of the Romanov regime was announced, many Americans who were violently opposed to Marxism nevertheless hailed the event. They were sure that socialism could not last, because of its inherent contradictions; but they were equally sure that "something good" would come out of the "experiment." The expectation was that when the smoke of revolution had died down, Leninism would prove itself to be an unworkable doctrine, and the Russian people would arrange their public affairs along lines that would assure them of the freedom they had never known under the Czars.

The expectation of the 1920's was based on a false premise, and so is the current glow of hopefulness. The premise is that economic freedom is the necessary result of political freedom, while all the evidence of history and of logic points to the opposite. Political freedom is quite impossible where the right of ownership is abolished; and where the right of property is respected political freedom follows as a matter of course.

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Since Lenin and his crowd made private ownership a crime against the State, Stalinism was an inevitable consequence; if it had not been instituted by Joe, somebody else would have come up with its equal. And since there is no indication that the Kremlin intends to restore the right of property, the reported relaxation of personal repression under the post-Stalin regime cannot rid the Russian people of their condition of slavery.

Let us assume the impossible, as a mental exercise. Let us assume that Khrushchev and Bulganin confer on the Russians every political right in the calendar: freedom of speech and conscience, freedom of the press, free elections, and all the rest. The only right not restored is the right of private ownership and control of property. The State still has a prior lien on all the worker produces, exercising this claim through taxation or the regulation of wages. Out of what it appropriates the State takes care of the citizen's needs and comforts, food, raiment, shelter, entertainment, and even leisure. All the rest the State invests in capital, in factories, farms and distribution centers which it owns and operates, and thus becomes the only employer in the country. Under those conditions, how free is the citizen?

IN THE FIRST PLACE, the citizen can exercise no choice in the selection of satisfactions. Since the State controls all the means of production, the worker is, for all his political freedoms, constrained to eat spinach if that is the only vegetable the State produces, wear hobnailed shoes if the state-owned factory turns out nothing else, live in the kind of house the State provides for him, read the books the monopoly printing press puts before him. There is nothing else he can do. The market is a place where he gets his supplies, not where he indulges his fancy. Price means nothing; for even if he bids for something he wants, the thing is either nonexistent or the State, which controls all supply, fixes a price on it that is beyond his reach. In short, he has no choice.

The same applies to his employment. He works at the job assigned to him. True, he has political freedom, and therefore he can quit his job without fear of reprisal. He will not be thrown into a slave-labor camp or punished in any other way. But, he has no savings to live on (that would be the right of property), and his prerogative of quitting work is equivalent to the right to starve. He sets aside his political freedom in favor of existence. If he believes his talents can be better employed

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at another job, he might, having the right of petition, call the matter to the attention of the State. But, he has no right of decision, thanks to his economic dependence on the State.

He has aspirations; thinks he can write an opera. Having the right of free speech he can tell all his neighbors about his gift, and he can even write a letter to the state-owned newspaper about it. Assuming that he digs up enough paper and ink for his opus, what can he do with it? The State owns the only publishing house in the country, also the only opera house. He cannot have enough capital of his own to exploit his work, nor is there any entrepreneur about to undertake the fulfillment of his dream. To be sure, the State grants him the right of appeal, but its control of the economy gives it the right of final decision.

He may worship God as he likes. However, since private property is prohibited, the church he chooses is owned by the State; and its clergymen, like everybody else, are beholden to the State for their sustenance. Its prayer books are printed in the monopoly book shop and thus come under State supervision. While the individual worshipper or the ecclesiastical hierarchy is not subject to political restraints, economic pressure would take a hand in shaping religion. Freedom of religion, like every other kind of freedom, would be on paper.

He can vote for Tom, Dick, or Harry — any of the names that appear on the official ballot. He may even run for office himself. Every candidate would be free to advocate this or that reform—except the right of property. They could promise, if elected, to work for a new cement factory, more old-age pensions, higher or lower tariffs, better obstetrical hospitals. The ballot, under these conditions, would be an instrument by which his subservience to the State might be made more comfortable, but it could not free him of his subservience.

THAT'S HOW FREE he could be under this bizarre supposition. It would manifestly be impossible for a regime of political freedom to coexist with a regime of economic slavery. For it is obvious that where freedom of thought and expression is permitted, the worker would soon set up a clamor for the right to keep and enjoy what he produces. And even if he did not have a press in which he could voice his thoughts, he could write letters to all and sundry, demanding that their right of property be restored. Everybody works for himself, for the product of his labors, and feels robbed when his

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output is confiscated, no matter by whom or for what purpose. To deprive him of freedom of choice in the disposition of the products of his labors is to deprive him of the right to life. He would say so openly, under the conditions hypothetically suggested, and might even promote action to undo the hurt. Hence, abolition of private property cannot be maintained without the use of force and the suppression of freedom of every kind.

On the other hand, where the right of property is respected, political freedom is automatic. Imagine a State that recognized none of the rights of the individual except the right of ownership. This, too, is a fantastic notion, because the State could not enforce political intervention unless it had the wherewithal to pay its enforcement agents, and this it must get from production; it has no other source of income. But, let us assume for a moment that such a condition could exist. How long would the individual tolerate the disabilities imposed on him? With his property in his pocket he would promptly remove himself from the jurisdiction of that State. Or he could finance a revolution.

And so, it is sheer verbalism to speak of any kind of freedom existing where the right of property is not respected, or to separate this right from any other. We can therefore dismiss any hope that under communism — the essential feature of which is the abolition of private property — there can be any relaxation of personal controls and repressions. Stalinite brutality may be replaced by more subtle methods, like permitting the worker to starve if he does not wish to work in the mines; but freedom is out of the question.

Treason To Freedom

THE GREATEST ENEMIES of democracy, the most violent reactionaries, are those who have lost faith in the capacity of a free people to manage their own affairs and wish to set up the government as a political and social guardian, running their business and making their decisions for them. This is statism, or Stalinism, no matter who advocates it, and it's plain treason to freedom.

MAXWELL ANDERSON, *The Guaranteed Life*

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Two Directions at Once

Leonard E. Read

WE ARE GOING in two directions at once," observed Henry Hazlitt. His subsequent explanation of this statement squared precisely with my own observations. So far as the millions are concerned, socialism is more agreeably accepted today than yesterday, a year ago, a decade ago, or at any other time since the signing of the Declaration of Independence. On the other hand, there is a small but growing minority composed of thousands, not millions, who are becoming more skilled, articulate, and convinced devotees of socialism's opposite — the free market, private property, limited government philosophy.

Detailed confirmation of this phenomenon is not the object of this essay. Suffice it to say that Hazlitt is, in my view, as keen as any observer of ideological trends. And, too, there are the private studies of the Opinion Research Corporation which expertly measure the way socialistic versus free market thinking is going with the public — and it's toward, not away from, socialism. Further, those of us on the staff of the Foundation for Economic Education may draw upon our own ten years of specializing in this area, our considerable correspondence, and our discussions with groups from varied walks of life. It is clear to us that many millions are going in one direction while tens of thousands are going in the opposite direction.

The only object of this essay is to suggest to persons who perceive the meaning of liberty that the mass socialistic movement does not warrant despair but rather is the occasion for hope. In short, the movement toward socialism is the condition which is motivating our search for understanding.

But, first, a few broad strokes for background: The Constitution of the United States confirmed and aimed to perpetuate our revolutionary theory of government — a government in the role of servant, a government of strictly limited powers. No citizen turned to it for succor because it had nothing to dispense; nor did it have the power to take from some and

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give to others. In the absence of any political nursemaid there developed a remarkable self-reliance among the people. Further, the government was limited to defending life and the honest fruits of men's labors; it was not empowered to inhibit the creative actions of citizens. As a consequence, there was a freeing of human energy. In short, here, at least from a sociological or political standpoint, was liberty, the like of which never existed elsewhere. Self-reliant men and women, freed from predators and freed from restraints of their creative actions, brought into existence what is loosely referred to as "the American heritage."

But Americans began to take the blessings of liberty for granted. Its great bounty came to be regarded as an act of nature and progress as inevitable as the sun's rising on the morrow. That difficult human virtues and political wisdom lay at the root of this new-world miracle was forgotten or, more likely, never learned by new generations. Americans lost the understanding, the rationale, on which their magnificent edifice was erected. With the limitations on government relaxed, with the foundations of their own revolutionary system weakened, disaster in the form of a return to the old-world pattern — sovereign state and servant people — was only a matter of time.

Societal arrangements, be they good or bad, have a tempo, a rapidity of change, far slower than that of a human being. Thus, most citizens, enjoying the forward thrust their limited governmental structures *did not inhibit,* came to believe that the ever-increasing governmental intervention they subsequently voted was responsible for their prosperity and well-being. Today, they fail to see that the genuineness in their situation is but the result of an earlier momentum precisely as they fail to recognize the bogus aspects of present "prosperity." Self-reliance and freed energies have made for such a health that they can, for a time at least, take government pap without apparent immediate injury. It is unfortunate that they believe the pap the cause of their vitality.

The above broad conclusions are cited only as a preface to this brief thesis. The crack in American constitutional theory certainly was not observed when it first occurred. For my own part, I had no realization as to what had happened, what was happening, until 1932. Only a few persons appeared to have an awareness of what was taking place by the late twen-

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ties. I recall my amazement, less than ten years ago, in reading a little book published in 1923 in which the author, John W. Burgess, saw clearly what had already happened — at such an early date! Yet, it is unlikely that even Dr. Burgess saw very much prior to 1923, or he would have written his book earlier. In his *Recent Changes in American Constitutional Theory*, he traced the beginning of the breakdown to 1898. Events that began at that time led first to one thing and then another, culminating in the adoption of the Sixteenth Amendment in 1913.[1] With its adoption we officially disclaimed the theoretical correctness of limited government, private property, and the free market.

But find the people who saw the meaning of these cracks in our structure at the time they happened! They were rare indeed. The adage that "things have to get worse before they can get better" contains an element of truth. Figuratively, only a lonely soul or two can be found who cried out against the progressive income tax in 1913 when the sin was only against good theory. This wholly un-American thing had to grow up, have a pocketbook sting in its bite, gain millions of adherents, before any significant opposition could form. Today, with this theoretical devil the monster it was born to be, there are perhaps a million citizens who would vote for repeal if given a chance. But it has taken the monster stage to generate the significant opposition! The mere infraction of good theory did nothing more than to evoke the fears of good theoreticians. Popularly speaking, the mere infraction of good theory had no wake-up quality to it.

Having officially accepted a thoroughly communistic doctrine in the adoption of the Sixteenth Amendment — "from each according to his ability, to each according to his need" — it was perfectly natural that socialism in all its forms would follow in its wake. One could hardly expect a people to embrace this fundamental precept in the *Communist Manifesto* and at the same time have any strong misgivings about other socialistic theory and practice.

The record speaks for itself; we are going down the socialistic route! Our national policy can be said to be consistent with the Sixteenth Amendment. But, and this is the important point, this very direction is generating an oppo-

[1]Dr. John W. Burgess was the founder and for many years the head of the Department of Political Science and Constitutional Law, Columbia University. A copy of the book may be obtained from the Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. 115 pp. $1.00.

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site ideological movement. Further, the socialistic direction appears to be a necessary state of affairs to hatch its opposition. Let me attempt an explanation of what at first glance appears to be an anomaly.

Now, since error (socialism or whatever) opposes truth, one might say error has no function. Yet, in a sense, hasn't error a role to play? Isn't it error we use as the stepping stone to truth? Man emerges, evolves, goes in the direction of truth, by the *overcoming* process. Overcoming presupposes something to be overcome. Even the taking of a simple step presupposes something stepped on. Ascendency presupposes a lower position. A movement Godward presupposes a direction away from ungodliness.

Consider these opposites: evil and virtue, error and truth. Do we not witness mighty opposites similarly at work on every hand? For instance, would we have any notion of "up" if there were not a gravitational force pulling us down? Would "light" be in our vocabulary if there were no darkness? Would we have the concept of justice if there were no injustice? Isn't hate the evil thing that permits us to see love as a virtue? Where does the passion for security derive except from the prevalence of insecurity? And isn't all intelligence a degree of understanding and wisdom relative to ignorance?

INQUIRING further into nature's mysteries, and going as far as science has probed into the ultimate constitution of things, we learn that "every substance is a system of molecules in motion and every molecule is a system of oscillating atoms and every atom is a system of *positive* and *negative* electricity."[2] Or, to quote the late physicist, Robert A. Millikan, "All elastic forces are due to the *attractions* and *repulsions* of electrons."[3] Opposites at the very root of things!

It would appear that the mainspring of all creation, of all variation, of all progress, comes by reason of this tension of the opposites, sometimes called the law of polarity. If there were no tension — something to overcome — there would be no "becoming," no movement toward higher orders. Obstacles, I contend, have their role. They — error and evil — are things to step on, to rise above. Without them we are incapable of perceiving any *above*.

There is abundant evidence that

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[2]Dixon, W. MacNeile. *The Human Situation.* New York: St. Martins Press, Inc., n.d. p. 195.

[3]Eulenburg-Wiener, Renee. *Fearfully and Wonderfully Made.* New York: The Macmillan Company, 1938. p. 47.

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this law of polarity or tension of the opposites has been long and well understood. A few selections:

Then welcome each rebuff
That turns earth's smoothness rough,
Each sting that bids nor sit nor stand but go!
Be our joy three-parts pain!
Strive, and hold cheap the strain;
Learn, nor account the pang;
dare, never grudge the throe!

ROBERT BROWNING, *Rabbi Ben Ezra*

Adversity is the first path to truth.

BYRON, *Don Juan*

Bad times have a scientific value. These are occasions a good learner would not miss.

EMERSON, *Conduct of Life: Considerations by the Way*

Are Afflictions aught But blessings in disguise?

DAVID MALLET, *Amyntor and Theodora*

Let us be patient! These severe afflictions
Not from the ground arise
But oftentimes celestial benedictions
Assume this dark disguise.

LONGFELLOW, *Resignation*

O benefit of ill! now I find true
That better is by evil still made better.

SHAKESPEARE, *Sonnets.* No. CXIX

Truth, crushed to earth, shall rise again;
Th' eternal years of God are hers;
But Error, wounded, writhes in pain,
And dies among his worshippers.

BRYANT, *The Battle-Field*

The road to valor is builded by adversity.

OVID, *Tristia*

Error is the discipline through which we advance.

WILLIAM ELLERY CHANNING, *The Present Age*

Dark Error's other hidden side is truth.

VICTOR HUGO, *La Legende des Siecles*

Shall Error in the round of time
Still father Truth?

TENNYSON, *Love and Duty*

THE FOREGOING are ideas for arguing that growing socialism performs a negative function.

A few additional thoughts as to what the socialistic system is: It is the opposite of the free market or willing exchange economy. It is forced, unwilling, coerced exchange. It rests on the suppression of creative human energy. It is the substitution of authoritarianism for market phenomena.

To commandeer, that's it! Webster defines "commandeer" clearly: "to take arbitrary possession of; to commandeer men or goods." Illustrations: The honest fruits of one's labor are commandeered to make up the deficits of government intervention into the light and power field, as in TVA; in the construction industry, as in government housing; in foreign trade, as in the Marshall Plan or Point Four. One's earnings or capital would probably be em-

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ployed otherwise if free choice rather than commandeering prevailed. Or, look at another twist of socialism as applied to farming through acreage allotment plans. Either a part of the farmer's acreage is commandeered into nonproduction, which is by way of denying the ownership of said acreage, or some of his capital is commandeered in the form of a fine, which is by way of denying the ownership of said capital. The very essence of ownership is control. We could, properly, call socialism "the command system." In any event it belongs to the same kaboodle of nostrums as communism, Fabianism, nazism, fascism, the Welfare State, and so on.

CONSIDERING the nature of our faults — our taking-for-granted attitudes, our lethargy, our unawareness — it is logical that we should lose our freedom. But freedom is a prerequisite to man's creative expression. Eventually man must be free; it is human destiny. And man will be free. However, his freedom is conditioned on his understanding of it and its purpose.

The growing socialism is creating its own anti-agents. Abhorrence of it is stimulating tens of thousands of Americans, of all ages, to study, reflection, contemplation — about freedom. They are discerning freedom's deeper values. They are regaining their faith in free men. They are coming to understand and, in understanding, are learning to explain. They are seeing that wealth, a by-product of freedom, is not for a recess in life's activities but, instead, is for a release that they may work harder than ever at those creative ventures peculiar to their own persons. They are seeing that freedom is the gate to new levels of the intellect and of the spirit.

Socialism is freedom's opposite, the error, the thing to be stepped on and overcome; it is the tension that can spring man into a more wholesome concept of freedom. And this is the role of socialistic error in man's "becoming."

HE THAT WRESTLES with us strengthens our nerves and sharpens our skill. Our antagonist is our helper.

EDMUND BURKE, *Reflections on the Revolution in France*

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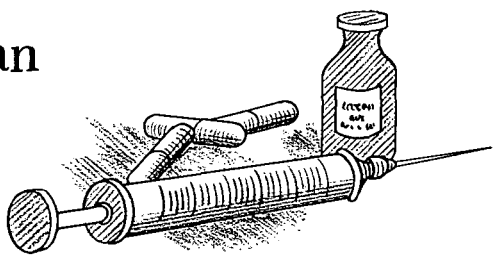
Upon pressure from the World Health Organization and other branches of the United Nations, the government of the United Kingdom had announced that after December 31, 1955, the manufacture of heroin would be prohibited. Subsequently, at the insistence of many competent medical men in Britain, that decision was reconsidered and postponed at least through 1956.

This article was presented in the bulletin of the British Fellowship for Freedom in Medicine, May 1956, as an "open letter to the physicians of the United Kingdom."

Addiction is an Illness

Herbert Berger, M.D.



THE ARGUMENTS for and against the proposed ban on heroin were closely followed in the United States. To the physicians of America who have entered into their professional careers since 1925 the drug is known only as a material used by addicts for self-gratification. Its medicinal virtues in uterine inertia, cough, and for the relief of terminal pain in malignancy are dimly remembered classroom phrases uttered by those of our teachers whose practices antedated our own ban on heroin. Federal law has prohibited its importation, manufacture, and even its medicinal use in this country for the past thirty-one years.

You who have, for the time being at any rate, escaped from embarking on a similar adventure with this drug may be interested in learning of our experience as we have traveled down this long

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and sordid path. In 1925 there were a few heroin addicts in the United States. The number is unknown, but hospitals and penal institutions of that period report that most of our addict population was using crude opium for smoking, tincture of opium, and morphine. The same institutions report heroin to be the material of choice in about 86 per cent of those apprehended today. Yet, and this needs the greatest emphasis, the material cannot be procured from any legal source anywhere in the United States. As we explore our experience, the means of obtaining this material will become apparent.

Addicts May Number 200,000!

We in the United States of America have counted 60,000 heroin addicts. An addict known to our officials is one who has run foul of the law. Countless others can either afford their habits or have never been arrested. Therefore, the actual number of addicts is a multiple of 60,000. No one, in or out of government, knows the exact figure. The Mayor's Committee on Narcotics, investigating addiction in New York City, estimated that there were 90,000 in the city alone. A figure of 200,000 for the entire country is probably not an exaggeration.

Each of these thousands of people obtains enough heroin for several injections each day despite the best efforts of the Narcotics Bureau to prevent smuggling. In fact Federal Commissioner of Narcotics, Harry Anslinger, recently testified before a Congressional Committee, "If we had the Army, the Navy, the Coast Guard, and the Federal Bureau of Investigation all working together we could not prevent heroin smuggling through the Port of New York."

At this point we may begin to perceive one of the cardinal effects of a ban on heroin. Lawlessness! There are, as the story unfolds, others.

Perhaps an investigation into the nature of narcotic addiction is in order. The following paragraphs are, of course, elementary. They are inserted in the interests of completeness and because there is so little addiction in the United Kingdom that some of those who read these lines may have had little opportunity to study this symptom-complex at first hand.

A point of departure might be a short review of narcotic drugs. These materials are sedatives. They induce sleep, allay anxiety, relieve pain. This is their action in addict and in non-addict alike. It is just as important to state what they are not. They are not stimulants. They do not induce

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violence. Crimes are never committed under their influence.

From this necessarily short summary, let us proceed to investigate the target for this substance, the addict himself. He is, as a general rule, a shy, retiring person who is incapable of facing the vicissitudes of life. He must, like so many of the rest of us, escape from every unpleasant situation. But while others recover from periods of remorse or depression with patience, insight, a new interest, or hard work, he tries to solve all of life's problems chemically. As the years go on, he retreats ever further from the complexities of the world. He becomes the procrastinator of all procrastinators. He has now found the answer to every pain, every difficulty, every unpleasant sensation, every trial. His dread of withdrawal symptoms further enslaves him to the drug so that he believes implicitly that he cannot live without it.

Strangely enough, the addict is a rather normal person under the influence of drugs, a highly abnormal one without them. This is the reverse of the situation observed in alcoholism. These addicts can, while they have narcotics, work in responsible positions and are not likely to be a charge on the public. Without them they are one or another variety of psychopath.

This short study of the drugs and of the addicts makes one wonder why crime and drug addiction are so closely allied in the United States. The term "criminal addict," on the other hand, had to be defined every time I used it during my recent visit to the United Kingdom. Since the material cannot be obtained legally here, and furthermore, as the addict believes he cannot live without it, he must obtain it, perforce, from the underworld. These materials costing only a few cents for a day's supply in Red China or in the Middle East where it is produced, are sold here for at least 1,000 times the purchase price. Such profits were sure to attract our worst criminal element. An ounce of heroin purchased for $5.00 in Syria sold for $8,000 after it was cut and diluted on the New York market.

Many of our addicts must spend $100 per day to satisfy their needs. Few of our people can hope to earn such sums legitimately, particularly since they must of necessity conceal their habit and hide from the police. In addition, the somnolence produced by the heroin makes them less capable employees, further reducing their opportunity for income. As a consequence, most of them enter into a life of crime.

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How They Pay For Their Drug

The most dastardly of all their activities is the initiation of neophytes into addiction. By this means they guarantee their own source of supply, for they are paid 25 per cent commission on all the heroin they can sell. We have instances where addicts desperate for drugs have induced their wives, sisters, parents, and even their children into the habit.

Unequivocally then, I would prophesy for the people of Great Britain, if a ban on heroin were ever to be imposed, that you, a nation historically and ethnically allied to our own, would repeat our unhappy experiences. In a few years your now noncriminal 279 drug addicts (figures from Mr. A. L. Dyke, Chief Inspector, Department of Dangerous Drugs, Home Office) would have expanded to many many thousands. Many of your youth, the easiest prey for the addict peddlers, would become enslaved. Your young girls who became addicted would have sold themselves in order to support the ever-increasing costs of their addiction. You too will begin to spend sums approximating to the colossal sum that heroin costs the United States.

There are other difficulties. The peddlers of narcotics dilute the material repeatedly so that by the time the consumer receives it, it may be only 3 per cent pure—the average figure in New York City. What happens when the addict by some mischance gets 20 per cent pure heroin? He receives seven times his usual dose and his life is forfeited. Many of them are sickened by the diluents which are usually non-sterile. The customer may never dare complain. He is threatened with either an interruption in his supply or a "Hot Spot" (one containing poison, usually cyanide). The latter is responsible for many lost lives each year.

Since Britain no longer exports heroin, even under conditions of strict control, the presence of the meager quantities of this material legitimately stocked in your country in no way influences our narcotic problem. I suppose it would be true to say that none of your heroin finds its way into the United States. Therefore, the argument that the ban is necessary in order to protect other nations is untenable.

Were the proposed ban on heroin to be revived, your presently addicted patients would be deprived of the counsel and advice of their physicians. These people will obtain heroin, come what may. Prohibition would cause them to substitute an underworld character for the one person who

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could have helped them, their own personal physician. I am sure that this is not the intention of your well-meaning Legislature. Make no mistake, the narcotic racketeers of the world eagerly awaited the enactment of your prohibitive law. It would have opened an illegitimate income of millions to them. May I ask your indulgence if I repeat: *Heroin addicts will obtain heroin, ban or no ban.*

Those of us who have interested ourselves in narcotic addiction have always admired the British management of the problem. Representatives of Medical and Bar Associations have joined forces before our Congressional Committees requesting repeal of our ban and our punitive legislation. Your heartening experiences to date have been the strongest proof that this medical problem is best managed by physicians. A complicated psychological illness cannot be cured by legislative decrees or by a policeman's truncheon.

You, in the United Kingdom, have 279 registered narcotic addicts; we number ours by the hundred thousand. You have no criminal problem with addiction; ours is enormous. You know little of the social ravages of drug use; to us it is relatively commonplace.

May I then, in conclusion, urge you to bend every effort to ensure that the withdrawal of the ban is made permanent to prevent this legislative mishap. We, your American colleagues, wish you every success in this effort which demonstrates the traditional altruism of the medical profession.

Freedom To Choose Foolishly

IT MUST BE OBVIOUS that liberty necessarily means freedom to choose foolishly as well as wisely; freedom to choose evil as well as good; freedom to enjoy the rewards of good judgment, and freedom to suffer the penalties of bad judgment. If this is not true, the word "freedom" has no meaning. Yet there are persons in America who wish to pass laws to force people to do only "good," or at least their concept of what is good. These would-be dictators are not content with a preventive law which punishes a person who deliberately chooses to injure his neighbor; a law which prevents any person from forcing his viewpoint upon any other person; a law which penalizes the person who interferes with the liberty of others. On the contrary, these persons who arrogate to themselves the functions of God demand a *positive* law to compel others to do as they wish them to do.

BEN MORREEL, *Survival of the Species*

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What Price Socialism?

Ben Moreell

MODERN SOCIALISM in its several varieties is the culmination of the dreams of countless men and women during the past century and a half. It is a movement which began to crystallize out of the chaotic remnants of the French Revolution. The word "socialist," however, was not coined until 1827 when it was used in the British *Cooperative Magazine,* an official journal of the London Cooperative Society, founded in 1824.

A Frenchman, Pierre Leroux, was the first to use the word "socialism" in an article in the newspaper, *Le Globe,* in February, 1832. He used it as an antithesis to the newly coined word "individualism." Robert Owen, English businessman, used "socialism" in his periodical, *The New Moral World,* in 1835, as the opposite of "capitalism" and as signifying the collective ownership of land and capital. These two shades of meaning—socialism as opposed to individualism and socialism as opposed to capitalism — are not antagonistic. In fact, each lends strength to the other. If we grant that socialism means the control of productive property by the men in political agencies, allegedly in the name of and for the good of "society as a whole," it follows that socialism means big government, and big government always implies little men. Individuals are diminished in order to exalt the Society and the State. "The State," as Hegel said, "is the substance, whereof individuals are but accidents."

While the term "social ownership," or "ownership in common," with its connotation that each one of us is a proprietor, may flatter the ego, it is in fact a gross deception. For society, which means all of us, cannot act as a whole to own and control property. It must act through its enforcement agency, government. The men who comprise that agency are a very small minority. In actual practice, therefore, a socialist society is one in which the vast majority of men are controlled by the tiny minority which has the political power

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to direct their economic activities. . . .

Socialism purports to limit its restrictions on freedom to the economic level, a wholly unspectacular locale. We have come to associate the liberty we prize with such things as freedom of speech, freedom of the press, and freedom of worship. If our action in these admittedly significant areas is relatively unrestrained, we are not likely to attach great importance to government intervention, ownership, and control in the economic area. We have become accustomed to alarmists who cry "wolf" in this economic area; also, we have seen certain groups and individuals express great concern for freedom here, when their real motive is to get for themselves the political privileges they condemn when possessed by others. And so, for these reasons or perhaps some others, we do not get excited about alleged impairments of economic liberty and threats to our rights of private ownership.

IT IS UNFORTUNATE that we have forgotten the old adage, Whoso controls our subsistence, controls us. "Economic control is not merely control of a sector of human life which can be separated from the rest," writes F. A. Hayek, in *The Road to Serfdom*, "it is the control of the means for all our ends."

Freedom of worship is an empty thing if we are denied the financial means to erect churches, pay our clergy, print religious literature, and propagandize for our faith. Freedom of the press means nothing if we are deprived of the means to buy presses, type, and newsprint. And what meaning can be attached to free speech if we know that we must speak in a certain way or else lose favor with those who control the food, clothing, and shelter which we need to survive? Unless we have full freedom in the economic realm, we cannot have full freedom in any other. Unless we have a society in which the producer shall enjoy the full fruits of his labor, our freedom is impaired precisely to the degree that political exactions deprive the man who works, whether with mind or muscle, of his production.

Slavery is commonly thought of as the ownership of one man by another. But the slaveholder does not really care about owning another man; what he wants is the ownership of the products of another man's labor. A slave is a man to whom the right of economic freedom is denied. From this premise the denial of all other rights follows. Therefore, in any

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realistic discussion of freedom, what happens in the economic realm is basic. . . .

As the essential prerequisite to his maximum development, the Founding Fathers held that the individual must be *free* to direct his own *creative energies* without restrictive laws, rules, and regulations imposed by political masters.

What are the effects of the socialistic corruption of that concept of freedom? I believe no fair-minded person would deny that our currently popular middle-of-the-road policy operates to place all citizens under the yoke of excessive taxation, and thus puts enormous amounts of money at the disposal of the political agency. The politicians then disperse the tax fund as subsidies to favored groups in the nation, with the result that society is broken up into three principal groups.

First, there is the group on the receiving end—the people who get back more in subsidies than they pay out in taxes. They get something for nothing. Secondly, there are those who pay more in taxes than they get in subsidies. They get nothing for something. Third, there are people who comprise the political agency, who produce no wealth but who have the power to forcibly transfer wealth from one set of pockets to another.

THIS three-part division of the nation constitutes an enormous drain of wealth and potential wealth. The producer group plays host to the parasitic action of the other two groups. Robbed by the taxation demanded by the arrangement, this group is reluctant to produce up to capacity because it knows that the harder it works the more it will be penalized by progressively heavier taxes.

The subsidized group is paid for not producing at all, or for producing less than it would if it knew its income depended entirely on its own efforts. Thus, for opposite reasons, the potential productive capacity of each of these groups is not realized, and the total amount of goods actually available in the nation is far less than it might be.

But this is not the whole story. The lowered production of these two groups, such as it is, must be shared with a third group which does not produce at all. The personnel in government is withdrawn from production altogether, and it does not—except for its defense establishment and policing functions—render services for which consumers would voluntarily ex-

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change their own goods and services. But government has the power to siphon off an increasing share of the goods and services produced by the nation to pay the salaries and other costs of government itself.

The productive members of society would not consent to play host to both the subsidized group and the government bureaucracy if pressure were not brought to bear on them. The monopoly of force in society rests with government; and if the producing group refused to pay the tribute demanded, the power of government to compel and its willingness to employ violence would be evident.

This three-part division of the nation insures that fewer goods will be produced. And there is no alchemy by which more goods can be distributed while fewer are being produced. The power of government to take from producers is not the creation of wealth, but robbery and the abortion of wealth.

The uneconomic nature of this arrangement is obvious. No less obvious is the immorality of it. Men are forced to give up their property on demand by government. If the demand is not met, the powers of compulsion inherent in the apparatus of government are brought to bear. . . .

IT IS of utmost importance that we understand that socialism is based on coercion and on the control of some men by other men. It is equally important that we become expositors of the philosophy of freedom. When the alternatives—freedom versus socialism—are understood, then men are confronted with a clear-cut distinction on which to base their choice.

I believe that a social order which is designed to function only as government extensively intervenes with its legal power of coercion is a violation of the moral order whose precepts stress education and conversion. There is a rightful place for political action—to maintain the peace of society by restraining those who break the peace. If men universally understood and accepted the mandates of the moral law, there would be little or no need for political government to curb immorality. If men do not understand and accept the mandates of moral law, then *coercion* will not correct this condition. The only correctives are education and *conversion,* understanding and a change of heart.

From an address to The Canadian Manufacturers Association, Toronto, June 7, 1956. Copies of the complete address may be obtained from Mr. J. D. Paulus, Director of Public Relations of Jones & Laughlin Steel Corporation, Pittsburgh 30, Pennsylvania.

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EQUALITY

Reginald Jebb

EDITOR'S NOTE: It is not our purpose to take sides in what might be deemed the political affairs of Great Britain. This critique of "Towards Equality," a pamphlet recently released by the British Labor party, is presented primarily for those in this country who are increasingly confronted with these same arguments for enforced equality.

EQUALITY is a noble-sounding word, but, like so many other noble-sounding words — such as democracy—it is today being applied to policies very far from noble. The Soviet has appropriated "democracy" as a name for its devilish theories of government. The British Labor party is doing the same with the word "equality."

Last July there was published in London a policy pronouncement by the Labor party entitled "Towards Equality." At first reading the thesis it propounds may appear too absurd to merit much attention, but it would be a mistake to discount its possible effects. The fact is that for years the central objective of socialism has been what socialists call equality. This latest labor pamphlet gives a pretty clear idea of what they mean by the term.

Before summarizing its specific aims, let us note two ominous statements in the introduction. First, the avowed determination "not just to run the country but to change the nature of society itself." Then secondly, "There exists in a capitalist system a strong persistent trend towards economic and social inequality *which can only be contained by deliberate and continuous State intervention*" (my italics). So there we have it. In order to produce a result impossible save under an absolute despotism, unceasing (and we may add all-embracing) intervention by the State will be deliberately brought into play. Those are the general principles that govern this labor pronouncement.

Let us see what these inequalities are said to be and the means proposed to level them out.

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The first thing to be dealt with is education. Here there are two criticisms of the English system: that it accentuates social classes and that the different types of schools offer varying opportunities to the pupils for obtaining lucrative posts when they leave. The "public" schools—that is the independent, fee-paying schools which would be called private schools in the United States—are criticized for encouraging social snobbery and for giving their pupils a better education than that supplied by the state schools, so that pupils from those private and voluntarily financed schools are more likely to obtain the better positions. The reason given for this is that the privately financed schools have larger financial resources than the state schools—a strange argument seeing that the latter are backed by the whole resources of the State.

But on the question of equality of opportunity the pamphlet goes further than that. It even complains of the inequality of culture in different families so that "the competitive advantage would lie strongly with those whose family background was materially and culturally enriched." So it is to be presumed that not only incomes but culture also must be pruned to a dead level. That presumption is strengthened by the fact that many socialists are calling for the abolition of the privately financed schools.

The pamphlet then turns to the inequalities apparent in different grades of work and in personal incomes. As regards conditions of work, there are no doubt improvements that could and should be made. But to cry out against every variance of conditions linked with work entailing more as against less responsibility, more as against less intelligence, and more as against less initiative is to destroy all incentive. The same is largely true of differences of income. To condemn a man just because he has a larger income than another man can only be the result of envy, nor can there be any way of effecting and maintaining equality of incomes except by outright tyranny.

THE NEXT HEADING of the pamphlet is "Equality and Wealth," and by wealth the authors mean money and property personally owned. Here the envy motive is clearly evident. The critics resent any accumulation of personal property, apparently not because they want productive property more evenly divided, but because they are envious of material success. Instead of encouraging the propertyless members of society to become property owners them-

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selves, their seeming objective is to rob those owning more than a fixed amount and to use the money so obtained to strengthen the power of the State. Such a course, apart from being ethically indefensible, would ruin the economy of the country. For if the State is to be the only dispenser of incomes, its organization will demand an enormous bureaucracy, which in turn will require an increased volume of taxation. But if nobody possesses more than a living wage, then from whom are these enormous taxes to be collected?

So much for the general plan, which may seem, as I said above, so extravagantly absurd as to be of little practical importance. I should be the first to agree that a permanent equalization of wealth and incomes is utterly impossible short of a sustained despotism which no civilized country could tolerate. But it is not the success of the scheme so much as the means that might be adopted in an attempt to put it through that would be disastrous, not only to Great Britain but also as an example that might be followed by other free nations.

THE LINES OF ACTION proposed in the pamphlet confirm this. They comprise a tightening of income tax and death duties (already extortionate on any considerable capital or income), a capital gains tax, and possibly a tax on expenditure. Also proposed is an extension of state ownership by two new methods: (1) by collecting death duties in land and company shares as well as in cash, and (2) by boosting the government budget enough to make good the growing deficits in industries already nationalized.

Clearly, if these proposals are put into practice, a large number of rich people will be impoverished (which is the main object of the scheme). But in addition, the following results are bound to occur: the incentive to produce, to provide for one's family, even to work at all will be so reduced as to endanger the whole economy of the country; the state machine will be vasty more expensive to run; and the increased power of centralized government will imperil the freedom of the citizen.

Such are some of the latest maneuvers of those who are wedded to the idea of a collectivist society. They show unmistakably the plight of those who live in such a society—i.e., the loss of personal freedom—but they also reveal a sinister quality in the make-up of collectivism. They assume that the State, besides being the paymaster of the nation, is its moral director. These planners im-

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agine they can create a classless society by reducing everyone's income to a flat level. This is a monstrous assumption and is made more monstrous by the fact that the end is to be achieved by encouraging envy and robbery. Social snobbery is a moral disease that cannot be cured by legislation, least of all by legislation based upon hatred of the more prosperous.

We all know that the Soviet government looks upon morals and law as its own perquisite to be interpreted in a way most likely to increase its stranglehold on the people. This Labor party pamphlet makes one wonder how far the poison of communist statism has infiltrated the minds of those who call themselves socialists, social democrats, or laborites. They publicly disown Marxism, but their policies do not bear out what they profess.

It is a warning to all those who value liberty.

An Invisible Hand

It is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavor to employ it in the support of that industry of which the produce is likely to be of the greatest value. . . .

He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it . . . By directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it.

By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.

I have never known much good done by those who affected to trade for the public good.

ADAM SMITH, *The Wealth of Nations*

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Why Wages Rise:

8. THE COST OF BEING GOVERNED

F. A. Harper

In the preceding articles in this series, your wages have been spoken of as though they were entirely composed of money in the pay envelope which you could spend as you wish. They have been discussed as though each dollar could be spent for a loaf of your favorite brand of bread, or for peanuts, or for a new car; or given to your church, or to your favorite charity; or turned over to your wife to spend as she deems wise; or whatever.

But this ignores an important fact. Not all your wages are available to you for free choice of spending in this way. And it is that aspect, as it relates to the level of wages, that will be discussed, in part, in this article.

IF YOU PRODUCE in your garden twice the fruits and vegetables this year that you did last year, you have twice the "gardening wage." Or if yours is a commercial garden and you have sold twice the amount of produce, you have twice the income and can buy twice the amount of things of your choice.

Let us suppose that this year you produce 20 bushels of potatoes worth $2.50 a bushel, after taking out costs other than pay for your own time. You have a $50.00 total wage. Having worked 50 hours, you have an hourly wage of $1.00.

Now if I had come along in the spring and offered my help at a wage of $50.00 for the season; and if together we produced 40 bushels instead of 20, our wage would still be $1.00 an hour — $100 for 100 hours.

But suppose that instead of offering my services to grow an additional 20 bushels of potatoes, I had offered to guard your potato patch against the mountain lions for a seasonal fee of $50.00. You would, of course, have turned my offer down for two reasons: (1) There are no mountain lions around anyhow, and what I am offering is no more a service to you than it would be for me to guard the mountain lions against your potatoes. (2) To pay me that high a wage would require all the proceeds from the potatoes you

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produce, leaving you nothing as pay for your own exercise.

Service Charges by Fiat

But suppose I had bargained on a different basis, and said: "Since the protection of the potato patch is important to both of us, I will chip in along with you and pay an equal share of the cost of this general welfare. In other words, I will do all the work of protecting the patch and you will do all the other work of raising the potatoes. Then we will each pay half of each other's income in return for half the product—each of us getting, at the end of the year, ten bushels of potatoes plus half of the service of having had them protected."

This would still be unappealing to you, since the protection is worth nothing to you and you would not pay anything for it willingly. Why give up half your potatoes for nothing?

Let us assume, however, that by some device — though we are not here considering that device—it is decreed that this protection is "necessary"; that it must be provided for the "general welfare." That decree overrules your objection without answering it. And so I become hired by decree. Under this situation we find that wages are still nominally at a level of $1.00 per hour for both of us. Yet the worth of the wage has been changed. Though nominally the same wage as before, when all the time of both of us was spent raising potatoes, it can't possibly be worth as much as before because we have produced less.

A wage can buy no more than is produced. And under this new arrangement the two of us have produced only half as much as before, or 20 bushels instead of 40 bushels of potatoes. So our wages will now buy only 20 bushels of potatoes—plus protection against the mountain lions, of course. Our wages have in this instance, then, lost buying power in proportion to that part over which there was loss of free choice in spending—half the total yearly wage of our little community. The loss was the amount of forced purchase of a service worth nothing to you.

Nor would this loss of buying power have been eliminated by diluting our money to the extent of the protection cost. This would only have raised prices sharply for the reduced amount of production. No matter what is done to the money, nothing short of a miracle can turn 20 bushels of potatoes into 40 bushels.

Uncertain Worth of Forced Sales

An extreme illustration has been given, to be sure. But it suggests clearly the principle that is involved.

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Not all services are as worthless as guarding your potato patch against the mountain lions. I might, instead, have offered to pick the bugs off your potatoes. If this de-bugging had produced 20 or more additional bushels of potatoes at a cost of $50.00—and lacking a way to do the same thing more cheaply — my offer would have been acceptable to you. You would willingly have hired me, because my service would have been worth the cost to you.

My point is that if you are forced to buy certain "goods" or a "service" priced by edict, you are an enslaved buyer. Under these circumstances, what you are forced to pay has no necessary relationship to what it is worth to you. It may be worth nothing. It may, in fact, be of negative worth to you — something you would gladly pay to avoid rather than to have. Or it may, on the other hand, be worth something to you. It may be worth a little bit. Or it may be worth any amount up to the decreed price you are forced to pay. It may conceivably be worth more than the decreed price, rarely and for a few persons.

So in such an instance you can't escape a purchase at a price unrelated to its worth to you. You are not allowed to go without it, nor to produce it yourself, nor to buy it from a more efficient source. This means that the "income" required to pay for it is likewise of uncertain worth. It is worthless because you attach no worth at all to what you get in return. At best, it is income of less worth than any other dollar of your income, which can be spent for what you most want to buy.

The Nature of Government Services

The costs of government are of this type for individual persons in the nation. These costs are all paid with compulsory taxes of one form or another. Since each service is of uncertain worth to any individual person, therefore the income from which the taxes are paid is of uncertain worth to that person.

Government is concerned with governing. It means to govern, to control, to rule, to exercise authority.

Or put it this way: A political government is an agency we set up to govern ourselves. It operates outside and beyond those things we do for ourselves individually, as we voluntarily cooperate with one another in willing exchange and trade.

A political government does not do all the governing, of course. Banks and other businesses have private policemen, guards, and

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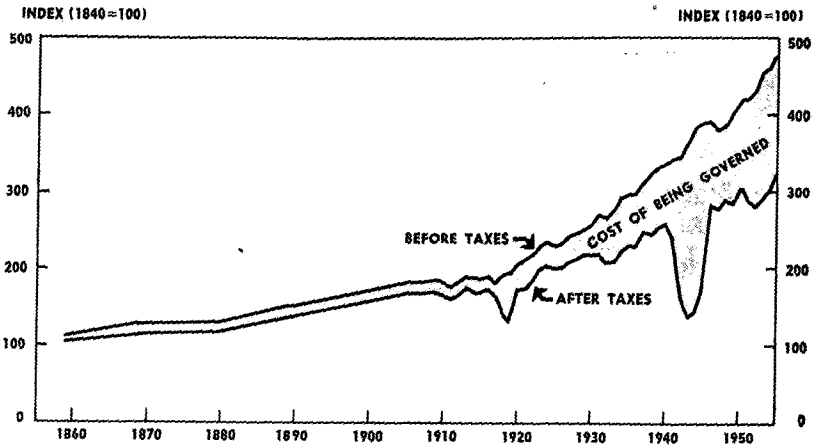
WAGE TRENDS IN THE UNITED STATES

Buying power before and after taxes



SOURCE: For wages before taxes, see previous articles in this series: THE FREEMAN, February and March, 1956. The cost of being governed was derived from data on government costs and personal incomes, by the United States Department of Commerce.

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night watchmen. Organizations of all sorts have governing bodies which in some degree govern their members; sometimes these organizations attempt to govern outsiders, too. There is even a bit of governing within each family; witness the posterior pains of childhood.

The distinctive feature of the political governmental body is its monopoly status, its compulsory "sales" to every member of the society. This is not true of most other forms of governing within our society. We may escape them in one way or another. If we do not like the private policeman in one bank, for instance, we can take our business elsewhere. It may be less easy for a child to leave his family, but small boys still go over the hill at times.

Our concern with the matter of governing is its relation to our judgment of its worth. This affects real wages. And that is why the monopoly of political government is of a special type — of special concern.

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The total cost of political government in the United States is now about a hundred billion dollars a year. Were you to appraise each part of this enormous expenditure in order to judge its worth to you, as you would your individual grocery purchases or the selection of a necktie, you would find yourself confronted with an almost inconceivable task. For were you to study the things which government does and judge their worth in this way, even at the hasty and superficial rate of one million dollars an hour, you would not be able to finish until well into the twenty-first century. Besides, since persons do not agree on that any more than they do about the worth of items in a department store or mail order catalog, I don't know just what these things are worth. Nor do you, I dare say. All we can say is that it is a monopoly market costing the average family about $2,000 a year to be governed. These are service charges we must pay —or go to jail.

It seems certain, then, that the value of our present political government is completely uncertain for any one person and, therefore, for all persons combined. We can't possibly know its worth, so long as a given service remains a monopoly that individuals are compelled to purchase. All we know, for any one item, is that it is still tolerated by a majority of the vocal citizens.

Effect on Wage Rates

One would be remiss not to think of the worth of government when he is appraising the worth of his wages. The part of his wages going for political government today is of quite a different sort of worth from the remainder, which he can spend for objects of his choice and preference. It is quite different, dollar for dollar, from income he can use to buy whatever appeals to him as cheapest and best, among all available goods and services.

Were it not for the fact that the cost of being governed has risen higher and higher over the years, this would not be an important factor in any study of the cause of rising wages. But the cost has risen sharply.

The present cost of governing ourselves (cost of government) is about thirty-one times as much as it was a century ago, per person, and aside from the effects of inflation on dollar costs. Or if we express it in terms of wages, the cost of governing ourselves a century ago took about three minutes of time out of each hour of work; now it takes nineteen minutes out of each hour of work.

It is noteworthy that the cost

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of governing ourselves is now a little more than double the entire share of the national product going to those who have saved. It is more than double the total of dividends, interest, rents, and royalties, even in our nation where these are high because of a fabulous accumulation of capital and savings in various forms.

The effect on wages of the rising costs of government is revealed by the accompanying chart. The inroad has become alarming over the last half century. It has taken almost half—48 per cent, to be exact—of the increased productive capacity of an hour of work over this period. The increased cost of governing ourselves has, in other words, absorbed half the increased welfare which improved production techniques have made possible during the twentieth century.

Let's put it another way. Suppose it were possible, in some way, to govern ourselves with the same proportion of our working time as prevailed a half century ago. Were this possible, the amount of income remaining to the worker for free choice in his spending—his pay after taxes—presumably could have risen at least twice as much as it has. Our increased capacity to produce, if allowed to operate to the full, could have doubled our increase in economic benefits.

In closing, I would emphatically suggest that perhaps the best way to get higher wages now would be to hire out to ourselves individually, so to speak, for more of the job of governing ourselves. That would mean more self-reliance, more self-control, and all the rest. In this way great savings could be made in the drain on our incomes, leaving that much more to spend on things of our choice and preference. This, in effect, is the same thing as a rise in wages.

Those of us who labor for a living might well consider a completely new direction—a new objective — in our bargaining for wages. Since there is no more to be gotten from employers than the slow increase in productivity will allow, perhaps we should start directing our bargaining power at government. Why not govern ourselves more, and thereby be able to keep more of what we are nominally paid?

A dollar saved is a dollar earned.

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Risk Capital—Key to Progress

William H. Peterson

POLITICAL ORATORY now to Election Day will probably once again carry barbed references to "bloated Wall Street," "the moneyed interests," "the New York bankers," and so forth. For, according to the leftwingers, Wall Street is a den of iniquity conceived for parasites who "get rich" by cornering, "manipulation," and speculation in general.

Nothing, of course, could be further from the truth. But the myth has been seducing the gullible ever since Marx's *Das Kapital* linked capital with the "exploiting bourgeoisie" against the "exploited proletariat." Quite the contrary to Marx's thesis, capital (and hence Wall Street) does not at all exploit the American worker but, rather, equips him with the sinews of industrial might — railroads, steel mills, auto plants, generating stations, coal mines, oil wells. Capital does not stop at merely affording productive facilities; it goes on to provide the lifeblood of all the distributive facilities as well — department stores, banks, supermarkets, drive-in theaters, laundries, and all the other phases of the American economy which the economist frequently lumps into the classification, "the service industries." In short, capital is man's servant, hardly his "exploiter." And it may be argued that it is the American worker himself who inadvertently is the "exploiter." He exploits capital.

Let us see how. To get the picture, contrast the positions of the worker in capitalistic America and of the worker in largely capital*less* Iraq. The American worker drives to his job in his own car. He functions in a five-day week and an eight-hour day. His plant is clean, with modern washroom and cafeteria facilities. While his pace may be rapid, it is not strenuous or backbreaking, for machines — that is, capital — do the work. Fork trucks and other materials handling equipment lift loads. Conveyor belts carry work to the worker for assembly. Steam and electric power turn lathes, spindles, polishers, mixers, and so on. No wonder American longevity is ever on the rise; the American worker may produce, but he does not engage in heavy physical la-

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bor. So to "work" out his muscles, the American worker becomes a sportsman—hiking, hunting, fishing, gardening.

With all this, the American worker's standard of living is the envy of the world. Most American workers own their homes. They vacation every year. They view television. Their wives are fashionably dressed and their children well schooled. Their homes are crammed with electrical servants — refrigerators, vacuum cleaners, toasters, freezers, washing machines, and, increasingly, dishwashers, dryers, food mixers, ironers, disposal units. These attributes of high living standards constitute the pay-off of capital. This is how the American worker "exploits" capital, to the tune of, according to the Allied Machinery and Equipment Council, $12,000 per worker.

Capital Brings Good Working Conditions

In Iraq, the American worker's counterpart walks to his job in a dreary shop, unsanitary and ill-lighted. Hours are long and the tasks heavy. Motive power is muscle power, sometimes animal power (camels or oxen), and infrequently electric or steam power. His home is a mud hovel and his wife and children are ill-clad. He is almost perpetually hungry and tired, and his life expectancy is short. Life in Iraq is truly a struggle for survival. Why? The conspicuous absence of capital. For while the American worker is supported by thousands of dollars of invested capital, the Iraq worker is supported only by pennies of capital. The American farmer plows while he sits on his tractor. The Iraq farmer plods on foot while he scratches the soil with a stick.

Clearly, then, capital is the key to prosperity or, as Carl Snyder, economist for the New York Federal Reserve Bank, put it in his incisive book, *Capitalism the Creator*, capital is the "creator" of prosperity. This fact tends to nullify the misleading implications in statistics on "worker productivity," for it is obvious that productivity stems not from man but from his tools — that is, capital. The driver of the Iraqi oxcart can move a half a ton 15 miles in a day. The driver of an American trailer-truck can move 30 tons 300 miles in a day—a multi-thousandfold productivity differential. Capital makes the difference.

So it behooves us to guard capital and accumulate capital, to understand capital and improve capital. Capital is unconsumed production or wealth diverted, that is, invested — to further production. The act of not-consuming is sav-

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ing, and savings constitute the only source of capital. Saving is carried on both by individuals and groups of individuals such as corporations.

Individual investment moves in diverse ways. The individual may save in a bank or buy an insurance policy. In these cases the banks and the insurance companies are intermediaries in the savings-investment process. The banks and the insurance companies pool the savings of the individuals and invest in business enterprise. But the individual may prefer a more direct investment on his own part. In this case he can invest in the shares of mutual funds and, if he is a small investor, thereby achieve a degree of diversification not otherwise possible. Still more direct investments are available to the investor. Through his broker he can buy corporate shares and hence build up the capital power of the nation. For this, he gets or he hopes to get a return.

This note on hope emphasizes the inevitable uncertainty of gain attached to capital. Capital, according to the Austrian economist, Boehm-Bawerk, is "the technical superiority of round-about production." The two revealing words here are "technical" and "round-about." Technology is constantly seeking to improve capital — to increase horsepower, to accelerate speed, to heighten output, to improve quality, and so on. This means that capital once "frozen" into a machine is always in danger of becoming obsolete by new developments in technology which, of course, spells a loss to the investor but much greater gains for the nation. Again, the "round-about" nature of capitalistic production means the inevitable production for future markets. The investor, really the entrepreneur, must accurately anticipate the future market for his wares. But consumers are demanding and occasionally fickle. Styles change as well as customs and habits. Capital, once committed in specific plant and equipment, is always at the mercy of this uncertainty. So, in the final analysis, all capital is risk capital. All capital must undergo risk. It is inherent, even in the case of preferred stock and mortgage bonds.

Risk Is Always With Us

Yet risk is so often overlooked, especially now during the seventh year of a bull market. History does not forget, and it is well to remember, Tuesday, October 29, 1929. Before then, too, there had been talk of everlasting boom. Risk was by the boards. That very summer of 1929 many believed the not untypical statement by

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John J. Raskob, Democratic national chairman:

If a man saves $15 a week and invests in good common stocks and allows the dividends and rights to accumulate, at the end of twenty years he will have at least $80,000. He will have an income from investments of around $400 a month. He will be rich. And because income can do that, I am firm in my belief that anyone not only can be rich but ought to be rich.

This statement, so bizarre in the hindsight of the thirties, was part and parcel of the climate of opinion during the boom of the late twenties. Today's climate of opinion in Wall Street may be bordering on a similar over-optimism. There is talk of the magical power of "built-in" stabilizers. Corporate expansion plans are to run into the billions. Risk, seemingly, is evaporating.

But as Professor Frank H. Knight of the University of Chicago reminds us in his brilliant book, *Risk, Uncertainty, and Profit*, risk always dogs capital. Yields on common stock as well as on equipment bonds can never be blithely assumed at 5 or 3 per cent. The veterans of 1929, the holders of Czarist bonds, the investors of worthless uranium stock can testify to the contrary.

One more note on capital. It is not perpetual. It wears out. It must be replaced. Hence, the need of new risk capital exists as pressingly in America as it does in so-called "under-developed" countries such as Iraq. Savings must therefore go forward. And investment, too, must go on. The need of new risk capital is so great that no longer can equities be the luxury of the upper income groups. With today's up to 91 per cent income tax rates the base for investments must be widened. Stocks, once luxuries, may now by virtue of the higher living standards of the American worker be "necessities." They buy securities and are part owners of corporations.

This is not to say that the worker ought not be made thoroughly aware of the risk involved in investment. No one wants Wall Street to engage in the high-pressure salesmanship of "get-rich quick," so prevalent in the hectic days before 1929. But the worker should also be made aware of the prosperity-creating, dividend-paying power of capital. The worker should see that capital equipment is as vital to industry as convenience equipment is to his wife. And behold! the most significant upshot of Wall Street as the financial supermarket of the U. S. A. — when the worker becomes an investor in American enterprise. The worker is transformed into a capitalist. What a joke on Marx!

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"Uncontrollable budgets, excessive tax burdens, inflationary monetary policies, and currency depreciation make a mockery of any plan for economic security or 'social justice.'"

Social and Financial Responsibility

CONGRESS has approved another in the seemingly endless series of proposed broadenings and liberalizations of the federal Social Security program. Meanwhile, millions of recipients of fixed incomes, including the aged, disabled, widowed and orphaned, continue to feel the effects of the heavy tax burden and the rise in the cost of living, which have slashed the purchasing power of lifetimes of savings.

Not only Social Security but also most of the other sweeping changes in the relations between people and their governments during the past generation have been adopted in the name of "social responsibility." Governments have been called upon to assume the "social responsibility" of regulating economic life and protecting or indemnifying individuals against a wide range of hazards. How many of these safeguards properly lie within the field of social rather than individual responsibility is debatable, and whether governmental compulsion is the best means of dealing with them is even more so. What is certain is that the "social" responsibility cannot be met without a higher sense of financial responsibility than most peoples have shown in the recent past, or are showing today.

More specifically, uncontrollable budgets, excessive tax burdens, inflationary monetary policies, and currency depreciation make a mockery of any plan for economic security or "social justice." Is this financial irresponsibility a passing phase, or is it an inevitable consequence of the attempt by governments, in response to popular demand, to assume a degree of "social responsibility" beyond their practical capacity to bear?

Deflation or Devaluation?

The most important single step toward financial irresponsibility was taken when the people of the

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world rejected the discipline of sound money and accepted the concept of "managed" currency. The importance of the step did not lie so much in changes in the terms and conditions of specie redemption as in the fact that devaluation replaced deflation as the preferred method of correcting financial maladjustments.

As far as the purchasing power of currencies was concerned, the abandonment of the gold standard was a cause of financial irresponsibility primarily in a passive or permissive sense. It might be theoretically possible, by means of appropriate budgetary, monetary and other policies, to hold prices as stable, for a time at least, under an irredeemable currency as under the gold standard. Some statistical measure of the general price level, for example, might be substituted for gold as a standard of value. But this, even if practically possible, would merely be substituting one form of economic discipline for another. There would still be a fixed norm, and deflation, rather than devaluation, would still be the final corrective.

As long as people insisted upon stable money, even at the cost of the rigors of occasional deflation, they had relatively stable money. When they refused to submit to the discipline of deflation for the sake of stable money, the fixed norm was gone, and currency values were set free to drift with the political winds, which almost always blow in the direction of inflation. Whatever may be said for the theoretical advantages of "managed" currencies, experience indicates that in practice, and over the long term, they are depreciating currencies, especially in an age of governmental "social responsibility" as that phrase is understood today.

"Full Employment Commitment"

Against this background of anchorless currencies, what particular forms of "social responsibility" are operating in a positive way to undermine the purchasing power of money? Certainly one of the most powerful is the political pressure for continuous "full employment." Governments and central banks are expected to maintain economic conditions in which all persons desiring to work shall always be able to find jobs at "fair" wages. The only instruments of major importance with which governments and monetary authorities can endeavor to meet this requirement are inflationary. The principal ones are intentional budgetary deficits, artificially low interest rates, and central-bank operations and regulations tending to swell the supply of loanable funds.

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All these measures have the effect of increasing the amount of money and bank deposits without a corresponding increase in the quantity of goods and services to be bought. In addition, artificially low interest rates tend to discourage saving and encourage borrowing for investment in new industrial facilities. Thus the balance between money on the one hand and goods and services on the other is disturbed, and prices rise. Unless commensurate price changes are occurring in other countries at the same time, the rise in domestic prices makes it more difficult to export and easier to import, and the balance of international payments is upset. Eventually it becomes necessary to restore balance by devaluing the currency, and this expedient must be used rather promptly if the country concerned is largely dependent upon foreign trade. The alternative correction, price deflation, is obviously ruled out by the "full-employment commitment," since deflation usually occasions some unemployment.

Other "Social Programs"

Both the pressure on national budgets and the disequilibrium between saving and investment are intensified by the various "social services" which present-day governments are expected to supply. The cost of these services is so great that the tax burden grows very oppressive, and the demand for tax relief becomes almost irresistible. Deficit financing offers the easy way out, and this tends to develop into a national habit. At the same time, the heavy taxation of individuals in the higher income brackets to provide "free" services to those less favorably situated involves a large-scale redistribution of income. To some extent, taxes are paid with money that would otherwise be saved, whereas almost all the money distributed by government for "social services" is spent. Thus saving is further reduced, while borrowing, both by government and by private business for capital expansion, is stimulated.

Insofar as the aim of continuous "full employment" is achieved, it aggravates the upward pressure on prices exerted by the constant demands of powerful labor unions for wage increases exceeding the rise in the productivity of industry. It is agreed by almost all businessmen and by some union leaders that wage increases which raise costs of production defeat their own purpose by forcing workers to pay correspondingly more for the product. Yet in practice it has been found impossible to hold union demands within the limits that would be indi-

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cated by the rise in productivity. Thus organized labor, which has attained its present position of power with aid and encouragement furnished by government in the endeavor to fulfill its "social responsibility," has become one of the most potent instruments of inflation.

Another major group for whose supposed benefit government has been called upon to exert and broaden its powers in the name of "social responsibility" is agriculture. Agrarian programs have taken different forms in different countries. In the United States, the government has attempted to enforce "fair" prices for farm products, the criterion of "fairness" being a set of price relationships that existed more than forty years ago. This unrealistic endeavor has resulted in the production and accumulation of a volume of surplus products that has cost billions of dollars of the taxpayers' money, has finally depressed farm prices and farm income despite the governmental price supports, has forced the government to resort to the fantastic expedient of paying farmers for not producing, and has created a problem of surplus disposal that has embroiled the country's relations with some of its neighbors.

Some present-day governments and central banks, including our own, have made valiant efforts to adhere to the principles of financial responsibility and stable money. The purpose of this discussion is not to criticize these governments, or even contemporary governments in general. It is merely to point out that the world has been swept by a philosophy of "social responsibility" which is self-defeating insofar as it ignores or contravenes the rules of financial responsibility. As long as this philosophy prevails, no government can totally refuse to conform with it.

International Instances

The strange combination of "social responsibility" and financial irresponsibility can be seen on the international as well as the national scale. It is probably fair to say that most of the international "co-operation" since World War II has been calculated to make it unnecessary, or less urgently necessary, for nations to put their financial houses in order. This has been conspicuously true of the aid extended by the United States to foreign countries under the Marshall Plan and its successors. Such aid has enabled recipient nations to fill the gaps in their balances of international payments, thus avoiding or delaying the hard alternative of defla-

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tion or devaluation, and permitting inflation to run on. Institutions like the International Monetary Fund and the European Payments Union have somewhat the same effect. True, these institutions have rules designed to force debtor nations to correct the causes of their indebtedness. Yet their operations unquestionably tend to cushion the effects of unhealthy financial conditions and practices, and to that extent weaken the incentives to rectify them.

Governments, especially those of newly independent and economically "underdeveloped" countries, have been under pressure to assume the "social responsibility" of promoting rapid industrialization. In many cases, this policy seems to be inspired by nationalistic feeling rather than strictly economic motives and potentials. Almost without exception, such countries complain of acute shortages of capital, which is simply another way of saying that their relatively unproductive economies cannot create savings fast enough to provide for industrialization on the desired scale.

Yet the "social responsibility" of these highly nationalistic governments prevents them from admitting foreign capital on terms of sufficient freedom to make investment attractive. In their efforts to escape from this dilemma, such governments tend to protect and subsidize their struggling industries and to resort to inflationary practices in the apparent belief that a shortage of capital is a shortage of money rather than of goods.

False Distinctions

These and many other projects undertaken in the name of "social responsibility" are not only failing to achieve their purpose but are generating worse evils than they aim to alleviate, either because public opinion forces governments to violate the time-tested rules of financial responsibility or because the projects themselves are in basic conflict with those rules. Government officials, from the heads of state down, reflect this political pressure when they extol "human budgets" as more important than "treasury budgets," as if there were a contradiction or even a distinction between the two.

Such false distinctions are symptomatic of the confused thinking that is carrying most countries, with varying speeds, down the inflationary path. It seems to have been forgotten that financial responsibility is the beginning of real social responsibility.

From *The Guaranty Survey*, August 1956, Albert C. Wilcox, Editor.

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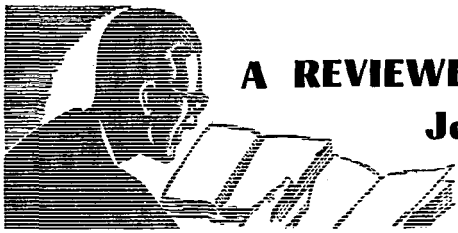

A REVIEWER'S NOTEBOOK

John Chamberlain

ALEXIS DE TOCQUEVILLE is best known for his *Democracy in America,* an astounding work of analysis and prophecy which retains its truth for today even though it was first published more than a hundred years ago. But even more astounding than *Democracy in America* is de Tocqueville's *The Old Regime and the French Revolution,* now reissued in a new translation by Stuart Gilbert (Doubleday, Anchor Books, 95 cents).

De Tocqueville's ability to generalize from a multiplicity of clashing and wildly heterogeneous facts without distorting reality is absolutely breathtaking. The generalizations, moreover, are so firmly based that they are as applicable to our own time as they were in 1835 or 1789. The great virtue of *The Old Regime and the French Revolution* is its ability to look behind the verbalism used by men to the forms that link "reaction" to "revolution" in any society. The "new," as de Tocqueville points out, is generally the "old" in false face; and the wilder the revolution, the more total is the reaction that follows it. Thus the French Revolution, which was supposed to remake society and change the condition of man, merely fastened the vices of the monarchy on the French nation for what must often seem like eternity. Unreasoning centralization, a passion for intellectual order that denies the "organic" in man, an anarchical sense of liberty that somehow goes along with witless taxation and extreme bureaucracy, a parliamentary system running to impotence—all of these things existed under the Bourbons. The Revolution of 1789 did not abolish them, nor have any of the restorations or coup d'états or revolutions that have punctuated French history at intervals ever since 1815. The Gallic maxim, "Plus ça change, plus c'est la même chose," was not invented by de Tocqueville. Nevertheless, it serves as an adequate description of the contents of his book.

The first big point that emerges from *The Old Regime* is that the French Revolution did not have its roots in poverty. What pro-

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duced the bloody carnage, the excesses of the Terror, the wild effort to pour humanity into nonsensical molds, was a surfeit of statism which had dried up the individual Frenchman's sense that he was the master of his own soul and destiny. The people, in 1789, thought they were rebelling against feudalism. Actually, they were rebelling because feudalism, which was a tissue of reciprocal rights and duties locally protected and administered, had been abolished by the monarchy. The Bourbons had a passion for the rectangular in more things than art, architecture, and gardens; they simply had to feel that people would stick to squares and cubicles, so to speak, in living lives that would move along roads as straight as matchsticks. The lack of the sense of roundness, the disappearance of spontaneity, the failure of the heart in the battle with the head — these things were increasingly characteristic of French life from top to bottom as the eighteenth century moved toward its close.

Take the condition of the peasants, for example. The peasants were no longer bound by the ties of feudalism. They owned their own acres; they practiced their own husbandry; they scrimped and saved and added to the number of their fields as they could. In short, they had a large measure of freedom in the "castle" that is supposed to be everyman's home.

But once the peasant had stepped off his own land he found himself completely hemmed in. The power of government had passed from the provinces and the provincial towns to Paris. Taxation was absurdly inequitable; the nobility was largely exempted from it, yet performed no function in society that could be offered as a good reason for the exemption. To save himself from what de Tocqueville calls "arbitrary, not to say ferocious, methods of taxation," the French peasant tried to create the outward illusion of bad husbandry and utter poverty. He had little concourse with people in the towns. As for his relations with the clergy, the peasant was often antipathetic toward the church because the priests seemed as arbitrarily favored as the nobility. "The bourgeois," says de Tocqueville, "had been completely severed from the noble, and the peasant from both alike . . . . the inevitable consequence was that, though the nation came to seem a homogeneous whole, its parts no longer held together. Nothing had been left that could obstruct the central government, but, by the same token, nothing could shore it up."

If the peasantry had really been starved, or deprived of its

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individuality by the introduction of collectivist agriculture, it might have been kept in subjection practically forever. But it ate well on its own land, it protected itself fiercely, it sent its sons to the towns to become members of the middle class, and it nourished its sense of grievance at the sight of nobles who were not even required to rule. With its energies caged but not basically impaired, the peasantry was ready for rebellion at the first sight of a leadership that would promise it equality under the law.

AT THE OTHER END of French society, the nobles had become a relatively functionless class. The king ruled through his intendants and his bureaucracy, leaving the nobility its privileges and its leisures but requiring nothing from it as compensation in return. In their own turn the nobles gladly relinquished their duties to serve the nation in general, or the peasants in particular, merely to gain exemption from the taxation that oppressed everybody else.

In the towns the sense of local initiative disappeared through atrophy. The Bourbons trafficked in town offices, selling them to the highest bidder. Towns were arbitrarily deprived of their right to rule themselves until they could fork up enough cold cash to buy back the right. But the right was never actually a right, for at any moment it could be "abolished"—and then resold all over again. Naturally, under such circumstances, local administration gravitated more and more into the hands of the king's direct representatives.

The result of all this, geographically, was that Paris, the capital, became the nation, and everyone with an idea in his head migrated to Paris. Cut off from their roots, the French intellectuals of the eighteenth century tended to think in terms of paper systems dominated by symmetrical logic. The intellectuals produced the "abstract words, gaudy flowers of speech, sonorous clichés, and literary turns of phrase" that were destined to move the politicians when the great upheaval came in 1789. When peasant animosity was placed at the disposal of politicos who were themselves swayed by the intellectual's passion for synthetic order, the result was a horror that was not to be repeated until a similar animosity was tapped by the Marxist intellectuals and politicos of Soviet Russia.

If all this were "mere history," something to be read about in the books, then de Tocqueville's *The Old Regime* would have a purely antiquarian interest. But

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there is so much more to de Tocqueville than "mere history" that the reader finds himself darting off on many a fruitful tangent of his own. Today, as in the France of the late eighteenth century, taxation is so arbitrary that it seems unjust. But instead of striking at peasants and ordinary townsfolk, the tax laws of today strike with special virulence at small businessmen who are trying to float themselves off into active enterprises of their own. The modern tax inequities bear down with special cruelty on the $8,000 to $20,000-a-year brackets, sometimes giving men of ideas the feeling that any unusual expenditure of energy is hardly worth the candle. The resentments of the "idea classes" can be absorbed up to a point without resulting in violence. But it is the apathy, not the revolutionary anger, of the "idea classes" that is hurting humanity today. The results of this apathy are particularly marked in England and the Scandinavian countries. But if Americans of "idea status" haven't succumbed to any marked degree as yet, it would require little more than another good round of inflation to make the "idea man" feel he is on a treadmill that leads nowhere.

ANOTHER part of de Tocqueville's book that is not "mere history" is the lesson it has to teach about the dangers of centralization. These dangers have been mitigated recently by the reaction against the more extreme centralizing measures of the 1930's. But the trend against centralization hasn't really gotten off the ground. Central governments everywhere collect the vast bulk of the modern world's taxes. When the next economic "downturn" comes, with its invitation to centralizing politicians to seize more and more power, de Tocqueville's book will stand as an awful warning of what happens at the end of the centralizing road.

It should also stand as a perennial warning that nations cannot be arbitrarily changed by political action of any radical kind. Individuals working by means of voluntary persuasion can sometimes move mountains. But when politicians try to impose change by legislative and administrative fiat, something untoward happens. In life it is the "organic" that counts, and organic changes cannot be forced. The best law represents a consensus that is already prevalent in the hearts of men.

Voltaire and the State by CONSTANCE ROWE. New York: Columbia University Press. 254 pp. $4.00.

"For a nation to be loved," said Edmund Burke, "it should be love-

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ly." With something like that thought in mind, Voltaire set about defining the conditions that would make his beloved *la patrie* worthy of his unstinted devotion. French culture had a solid claim on his admiration, and with Parisian life he had fallen hopelessly in love in his youth. But, Bourbon management of *L'Etat* put a strain on one's patriotism and for that reason was in dire need of overhauling. For his pains in setting forth its shortcomings and in expounding a philosophy of government, Voltaire was compelled to live most of his life outside the land he loved best.

Voltaire and the State is a concise and highly readable study of Voltaire's views on the proper political organization of society. These views, in the main, were incorporated in our own Declaration of Independence and in our Constitution, and are therefore integrated with our political tradition. Long before Jefferson was born, Voltaire wrote of man's "primitive and inalienable rights," of equality before the law, of the obligation of government to preserve man's fundamental liberties. Though France was uppermost in his mind when he expounded his ideas, he held them to be absolute principles underlying the contract between the individual and organized society, applicable to any political entity; he was a philosopher of patriotism.

The luster and immensity of Voltaire's ideas have worn off under the impact of familiarity. But in his time, it should be remembered, kings ruled by "divine right," not by any defined principles of government. Even he did not find monarchy in itself objectionable, indicating that his concern was not with any particular form of government but with the principles on which it operated. To him a State was on solid foundation only if it guaranteed to the individual such natural rights as liberty of person and property, freedom of speech, press and assembly, liberty of conscience and trial by jury; its techniques were of little moment. A patriot, to Voltaire, is one who strives to keep the government under which he lives in line with these principles. Voltaire advocated the reform, not the overthrow, of the Bourbon dynasty.

Now that the doctrine of "natural rights" has fallen into philosophic disfavor, and there is an inclination to relegate the individual to subservience to the State, it would be well for Americans to acquaint themselves with the ideas on which their political institutions were based. *Voltaire and the State* is an opportune book.

FRANK CHODOROV

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Beyond the Dreams of Avarice by RUSSELL KIRK. Chicago: Henry Regnery Company. 339 pp. $4.50.

Russell Kirk is a non-utopian, as I read him; which means that he stands in opposition to the major social drift of the modern world, the confident expectation of unending temporal progress.

Utopianism of one sort or another is a dominant or recessive trait in most of us; it has been bred out of only a few. Any person who pins his hopes on a future perfect society is a utopian; so is the purveyor of leakproof social panaceas. Utopians, of course, fight among themselves to weed out the heretics from among the True Believers. The deepest cleavage is between the collectivist majority which anticipates the arrival of its heaven on earth as soon as a benign political power becomes co-extensive with society; and a visionary minority which believes that only one thing prevents innately inoffensive human beings from living by the light of pure reason and morals — the institution of government, which they would eliminate.

Standing off in lonely isolation is the non-utopian. Alongside the visions of the utopians, his offerings must appear shabby by comparison. For him, a heaven in heaven is at least a speculative possibility; but a heaven on earth — in the light of the known propensities of human beings already revealed throughout history — is sheer delusion. Man cannot manufacture a heaven on earth, and the Greek idea of *hubris* and the Christian doctrine of sin once kept him from trying. But when he jettisoned these, there was nothing to restrain his effort to build a new Jerusalem from scratch in this best of all possible worlds. Ever since the Enlightenment, his efforts to achieve utopia have been virtually unimpeded. More recently, collectivist utopians have had a free hand in several countries, but their new fangled heaven resembles nothing so much as the old-fashioned hell!

Even though the most profound and significant distinction among social theorists is that which distributes them into utopians and non-utopians, there is little or no current debate at this level. The beliefs which give an epoch its characteristic tone are seldom debated; they are taken for granted —even, in some measure, by those who do not share them. Thus the instinctive rebel against utopianism is not only called churlish and reactionary by the visionaries, he may actually feel that way. Our deepest beliefs lie so far back in the mind that, like a pair of glass-

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es, we do not see them; we see other things through them. We may argue or fight about the things we see, but the axioms which enable us to conceive what we see seldom rise to the level where they might be discussable.

So, Russell Kirk does not throw himself into the hassle between the utopians and their opposition, mainly because no such battle is going on. He has settled that issue to his own satisfaction, so he operates with premises which include an implicit denial of man's capacity to attain a perfect society, or even frame a logically airtight social theory.

An airtight theory is one built along the lines of Euclid's geometry, a self-consistent system in which any or all parts follow from or are implicit in any other. But Euclid started with axioms which are not self-evident, and whoever wants to play the rest of his game must accept them on faith. And obviously, dimensionless points, perfect circles, and planes without depths belong to some high abstracted world, not to the world we live in. The natural world is complex beyond our powers of imagining.

One of the most brilliant of the modern physicists, Werner Heisenberg, has declared that to deal adequately with all his data he needs not one, but four mathematical systems, and that these four do not seem to be mutually consistent. Science deals with probabilities, not certainties, and it entertains the possibility that "there are no mathematically exact laws in the physical world," to use d'Abro's words. How much less, then, the possibility of framing a theory of society to cover all the contingencies in which actual people become involved! The tendency of utopians is to convert this impossibility into an abstract doctrine of social alteration — an ideal mold for shaping everyone.

The utopian, then, offers the delusory assurance of a seemingly perfect theory, but Kirk has only tradition, prescription, and the wisdom of our ancestors. Answering those who hawk the vision of a future society peopled by "just men made perfect," he points to history as the only sure gauge of what to expect from the future. "In politics," Kirk affirms, "historical knowledge is the only reasonably reliable sort of knowledge. To reckon without the past is to expose ourselves to the wildest sort of utopianism. History is chastening to human presumption; it has a long record of broken social fancies."

And again, "The true conservative does not believe that society can be properly governed by any

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inflexible creed of abstract doctrine . . . . Knowing his theology and his history, he takes it for granted that man is not a perfect nor a perfectible being, and that the prudent politician will endeavor to make life tolerable, not impossibly perfect." He will not "risk the legacy of civilization through lusting after Utopia." But neither, on the other hand, does he want to stop the clock or turn it back to some idealized past.

THERE IS a counterfeit conservatism of mere prejudice and inertia, but the true conservative, as Kirk describes him, is a man of distinctive principles. It is not change that he opposes, but change for its own sake. He resists the superstition that innovation must be progress just because it is novelty.

Russell Kirk knows that private property and freedom are inseparably connected. "The true conservative does defend private enterprise stoutly; and one of the reasons why he cherishes it is that private enterprise is the only really practicable system, in the modern world, for satisfying our economic wants; but more even than this, he defends private enterprise as a means to an end. That end is a society just and free, in which every man has a right to what is his own, and to what he inherits from his father, and to the rewards of his own ability and industry; a society which cherishes variety and individuality, and rises superior to the dreary plain of socialism."

Russell Kirk's *The Conservative Mind* appeared three years ago — one of the most disconcerting books which the collectivists and neo-liberals have had to face. This book and succeeding ones have evoked fierce disagreement and partisanship, but the author's erudition and competence have not been successfully impugned. And his style is fitted to his theme, combining virility with elegance. Furthermore, Dr. Kirk's conservatism is not merely cerebral. It is a body of convictions propounded with vigor and skill, but it is also something which Kirk feels in his bones. He is a conservative by instinct; nostalgia and love for ancestral ways color his thinking. He feels himself a part of "that great continuity and essence which is the civil social order we have inherited from a hundred generations." So, of course, he has no panacea to offer those who want to replace their crumpling collectivist utopian scheme with some other.

This fact, indeed, continues to be the chief complaint against Mr. Kirk, that he is a Man without a

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Plan — a complaint which misses the point by a mile. Kirk is a non-utopian on principle, i.e., he is a conservative; and if he is to be judged at all, he must be judged on the basis of how well he does what he sets out to do — present the alternative to utopianism.

Beyond the Dreams of Avarice is a book of essays, the essays of a social critic, the subtitle tells us. They deal with a variety of subjects; one is on American Traditions, another on the Conditions of Freedom, and so on. There is a long biographical essay on Orestes Brownson, the learned New Englander of a century ago. The egregious Dr. Kinsey is booted from off his Sinai along with his new commandments.

Going abroad, the Fabian debacle is noted and a resounding negative is returned to the question, "Does the State build homes?" Indeed, the several essays on modern Britain here collected say just about all there is to be said about England's pathetic new "futile system." Then there is a visit to the island of Eigg in the Hebrides and an account of an old Scottish castle on the auction block, both experiences furnishing material for reflection on the fate of man in the modern world. An essay on Pico della Mirandola warns that "in our lust for divine power, we have forgotten human dignity," and the book concludes with the avowal that "some of us must go barefoot through the world like Pico, preaching against the vegetative and sensual errors of our time." Kirk may be unshod, but he is a long way from being unhorsed and his lance is couched against some important targets.

EDMUND A. OPITZ

The Free Man's Library by HENRY HAZLITT. Princeton, N. J.: D. Van Nostrand Co. 176 pp. $3.50.

This anthology of some 550 books dealing with politics and economics from the libertarian standpoint is a most valuable and able contribution. Each work is briefly summarized and characterized by Mr. Hazlitt himself or by some competent critic. Further guidance is supplied by the introduction, distinguished by Mr. Hazlitt's familiar qualities of penetration, lucidity, and humor.

Of the desirability of such a work, serving as a broad introduction to individualist thought, there can be no question. For there is grave danger that the case for integral liberty may be lost by default. The advocates of collectivism in varying degrees dominate college faculties, lecture platforms, and mediums of communication to such an extent that many do not realize that there is

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an alternative philosophy. As Mr. Hazlitt himself puts it:

> Many people today who complacently think of themselves as "middle of the roaders" have no conception of the extent to which they have already taken over statist, socialist and collectivist assumptions — assumptions which, if logically carried out, must inevitably carry us further and further down the totalitarian road.

As indicated by the large number of books discussed, this anthology is extensive rather than intensive. Great classics of historic libertarian thought like de Tocqueville's *Democracy in America,* John Stuart Mill's *On Liberty,* Herbert Spencer's *The Man Versus the State,* and Adam Smith's *The Wealth of Nations* are characterized, along with a multitude of lesser and more ephemeral works.

Mr. Hazlitt offers, however, excellent selective lists of "ten best" classics and "ten best" contemporary works and his judicious appraisals of these works in his Introduction help to establish a priority which is overlooked in an alphabetical compilation. Among other excellent points in his Introduction is his analysis of the backsliding of what passes for liberalism in present-day America from the historic foundations of liberalism. Now the old liberal values, distrust of the State, opposition to a vast proliferating bureaucracy and to government intervention in industry, agriculture, and trade, opposition to concentration of government power, have passed into the keeping of people who usually regard themselves as conservatives. As Mr. Hazlitt writes:

> There is no necessary conflict between intelligent conservatism and real liberalism. On the contrary, at least in the peculiar climate and conditions of the present age, they have come to mean nearly the same thing.

Mr. Hazlitt rightly regards communism as the Number One enemy of human liberty, and he finds space in his anthology for those books which he considers most effective in exposing the theoretical fallacies and the practical horrors of communism, even when, in some cases, he does not entirely agree with the viewpoint of the authors.

Both the anthology and a high proportion of the books which it mentions should have a place in the intelligent free man's library.

WILLIAM HENRY CHAMBERLIN

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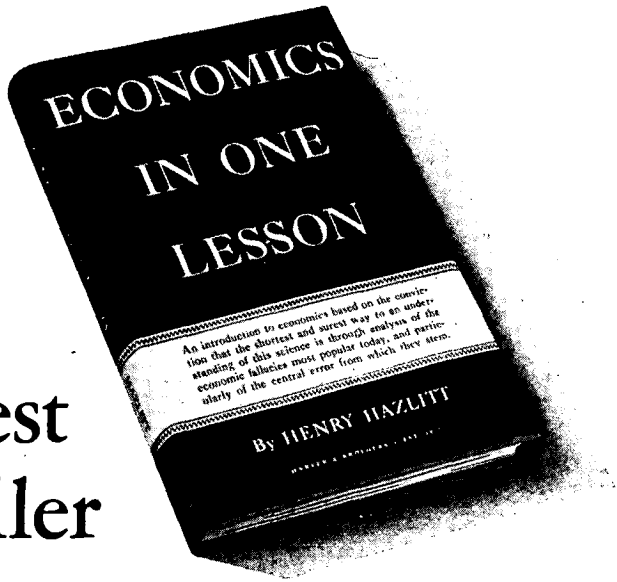
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EXCERPTS FROM CORRESPONDENCE OF INTEREST TO LIBERTARIANS

ON OWNERSHIP

EDITOR'S NOTE: *Dr. H—, a retired missionary teacher, is writing a book on Christianity and free enterprise. The following letter was in response to his question about the origin of ownership. "Does the right of ownership to a thing depend on my having labored for it?" was the essence of the question.*

DEAR DR. H——:

In my opinion, you are probing deeply when you tackle the matter of how the rights of original ownership can be justified. I am not sure that I have a tenable position, but let me try to expose my current and tentative belief.

"In the beginning God created the heaven and the earth."

But He did not create value. That was created by man, who wanted things in excess of God's creation of them as free goods. To get what one wants but does not have, a man offers in exchange something of his that he wants less than the object of his desire. It might be his time or it might be some possession that he offers in exchange.

Personally, I am of the Austrian School of thought as to utility, which is this:

1. The utility of anything is strictly a personal appraisal, unknown to another person and hardly even known precisely and formally to the person himself. It is constantly changing, or subject to change, for each item for each person.

2. The exchange value tells us no more about the matter than that an agreement was consummated at this point between two persons for purposes of exchange. For each of them it expresses a point below his limit of utility for what he buys, and above it for what he sells — a condition requisite to every instance of a voluntary exchange.

In terms of this concept I reject, of course, the labor theory of value.

My right to a thing arises out

Readers are invited to nominate their own or other letters of note for this section; the author's permission to print should accompany the nomination.

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of my having properly acquired it rather than out of my having labored for its production. When we speak of the value of anything that has been traded, this refers to whatever the buyer has willingly offered. The offer is made from what a person owns in a proper sense, having been previously acquired by means other than theft from the previous owner.

Say, for instance, that I offer you $1.00 for a bushel of your potatoes, which you willingly sell; and shortly thereafter I offer you $2.00 for another bushel from the same bin of your supply, which you also willingly sell. Why, it may be asked, do you have any right to the second dollar of excess price in the second bushel? I would answer that it is your right merely because you owned it, and I willingly offered you the second dollar through the process of a voluntary bid — just like the first bushel, and the first dollar of the second bushel. Obviously, your right to the second dollar did not arise from any specific labor on it, since the total labor for the second bushel was presumably identical to that for the first.

This, then, seems to resolve all problems of rights to appreciated value. The right was granted in each instance by those who bid for it, and the highest bidder acquires the deciding vote in the matter of its amount. This seems to take care of the matter of rights in all instances of exchange value, leaving unanswered only the question of initial ownership of any item, following its prior status as a free good.

Now as to initial ownership of a thing, the situation must have been — if we assume a free society in which the situation arose — that only one person attached, at that time, any economic significance to a title of acquisition. There was no second bidder then in that market. Therefore, in acquiring a title to it, the initial owner took nothing of value from any other person. Every other person was then declaring the item to be worthless — not even worth the paper, or the driving of a stake, to establish ownership. Nobody was robbed of anything of worth by taking the initial title of ownership. And this denial of any theft is the judgment of every other person at that time, all of whom declared it worthless. Taking something without worth to anyone else is not theft, to be sure.

Can we not say with reason, therefore, that the right of original ownership of a thing arises from the person's appraisal of its utility when all other persons deny its having any utility? Is this problem then not the same,

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really, as that of your right to the second dollar for the second bushel of potatoes?

How does this explanation of original rights of ownership strike you?

F. A. HARPER
of the Foundation Staff

REMOVING OUR TRADE BARRIERS

DEAR MR.———:

In arguing for tariffs and against international free trade, you suggest that we are already a low tariff nation and that we have been lowering our tariffs steadily. The American Tariff League has released figures to show that our tariffs are very low and that we are near the bottom of the list of countries when arranged in order from high to low tariffs. They show that in 1952 our imports were $10,745,000,000 and customs receipts were $575,000,000. Therefore, our "average tariff level" was 5.3 per cent, among the lowest of all nations.

I believe you will agree that this method of calculation leaves something to be desired. For example, our tariff structure might be applied only to a few items and at so high a level that none would be imported; using this formula, then, we would conclude that our "average tariff level" is zero.

The important thing, to me, is not our "low average level" but the fact that in 1951, forty-one rates were 100 per cent or more and over 900 rates were 40 per cent or more. The ATL makes such a strong point of our low tariffs that I am tempted to say: "If that's so good, then why not still lower?" Unless we stay with basic principles, we are likely to be drawn offside in arguing about what the level of tariffs should be, or the degree by which we have reduced them.

You've also suggested that "trade has caused more wars than any other single factor." With this I must disagree, if by trade you mean free, private trade. If trade could be carried on between nations by private individuals or corporations, I am convinced there would be little international conflict as a result. It is when governments inject themselves into the picture that trouble arises. For example, if your firm, as a private corporation, makes an unfortunate deal with a German corporation, it will be difficult for you to get Congress excited enough to do something about it. But when government steps in and tells you the conditions under which you can trade with Germany, or Russia, or Red China, that can become the subject of an international debate in the U. N.

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You suggest that a free nation cannot trade to advantage with a socialistic nation unless it adopts the socialistic restrictions of the latter. You suggest that the reason free trade has worked between our states is because we all believe in free competitive enterprise. Granted, much of our progress in this country has resulted from almost universal acceptance of relatively free enterprise. But I don't follow the argument from there. If Iowa were a "free enterprise state" completely surrounded by socialistic states, I think it would be to her advantage to remove her own restrictions to trade and do the best she could with her neighbors.

Free trade, as I would define it, can only exist when there are no restrictions on either side. Therefore, it is absurd to think of its existing in the world today with practically all countries operating under some degree of socialism. But, I would argue that it is to our own advantage to remove *our* restrictions, then trade as best we can under the restrictions imposed by other nations. It would be far from ideal, but their restrictions are basically their responsibility and not ours. My entire argument is based on what I think would be best for our own citizens, as producers and consumers, and I am not too much concerned with policies of other nations, however foolish I may think they are. Perhaps I should say I am concerned, but it is not within my province to try to force their reform.

You raise the question of low wages in foreign countries. It is sometimes argued that we should postpone free trade until all countries have achieved our wage levels. This is a subject to which I devoted considerable space in the booklet, *The Tariff Idea.** It seems to me it is a completely fallacious idea and counteracts the whole idea of the advantages of trading. Any time two people can trade to the advantage of both, they should be permitted to do it. Under freedom, they won't trade unless they do see an advantage.

I believe that the principle most commonly lost sight of in our discussions of trade is that consumption is the sole purpose of production. We sometimes tend to think that the preservation of an industry or a particular firm or a man's job is the important thing to preserve. This leads to all sorts of uneconomic measures which adversely affect the consumer — the king.

Your last point refers to the concept of free trade as "phony liberalism." Pursuing and trying

*Curtiss, W. M. *The Tariff Idea.* Irvington-on-Hudson, New York: The Foundation for Economic Education. 80 pp. 50 cents.

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to explain the freedom philosophy places one in very strange company at times. For instance, among the advocates of free trade are various individuals with quite some reputation as world planners and international meddlers. This is an important reason why we have always tried to stick pretty close to ideas and leave personalities out. We may find ourselves on the side of the "phony liberals" when we discuss loyalty oaths, academic freedom, segregation, and a host of other problems. If one has his principles firmly fixed, his company need not bother him greatly.

As an example of this, I could cite the recent discussions involving the General Agreement on Tariffs and Trade (GATT) and the Organization for Trade Cooperation (OTC) as promoted in H.R. 5550. One might expect our position to be favorable toward GATT, simply because we believe in free trade. But such is far from the case. The advocates of GATT are not, as I see it, merely advocating free trade, but are promoting a world-wide control of trade, dividing the markets, regulating prices, and the like.

A well-known business leader recently exploited that idea to the utmost, implying that one must either be for tariffs or for socialism. This is certainly a "guilt by association" idea, and just because some of the world's leading socialists *seem* to favor free trade, does not mean that free trade is a socialist idea.

We have s o m e t i m e s been charged with pointing a finger at tariffs when they are really a minor restriction to trade. With this I would have to agree. I believe exchange controls, quotas, subsidies, bilateral and multilateral agreements, bulk buying and selling by nations, and other restrictions are perhaps materially more damaging than tariffs. Nevertheless, I believe the same principles apply to all and it may be easier to get the lesson across by using the relatively simple example of tariffs.

W. M. CURTISS
of the Foundation Staff

Special Dangers to Small Business

To the small business man, Protection has its special dangers: it may enable trusts to gain such powers that they overwhelm him; it may create Boards which can refuse permission to new men to start production; it may even enable a federation of producers to veto a new enterprise.

C. J. L. BROCK, *The Moral Case for Free Trade*

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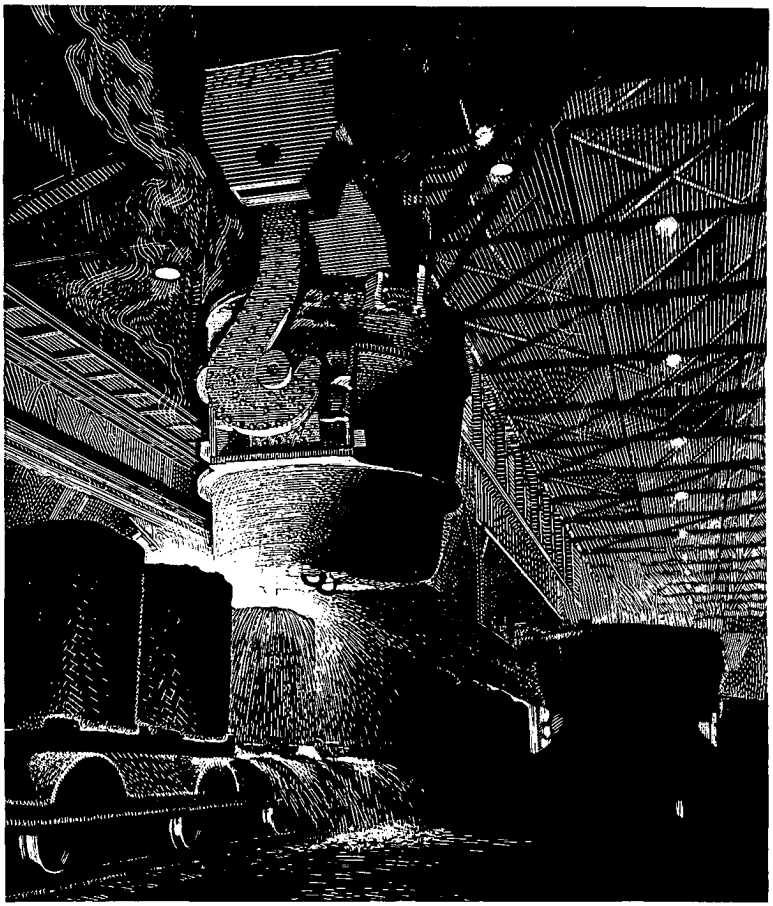

Teeming Ingots at J&L's Pittsburgh Works

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FROM A LIBERTARIAN'S LIBRARY

IN A FREE ECONOMY, in which wages, costs and prices are left to the free play of the competitive market, the prospect of profits decides what articles will be made, and in what quantities—and what articles will not be made at all. If there is no profit in making an article, it is a sign that the labor and capital devoted to its production are misdirected: the value of the resources that must be used up in making the article is greater than the value of the article itself.

One function of profits, in brief, is to guide and channel the factors of production so as to apportion the relative output of thousands of different commodities in accordance with demand. No bureaucrat, no matter how brilliant, can solve this problem arbitrarily. Free prices and free profits will maximize production and relieve shortages quicker than any other system. Arbitrarily-fixed prices and arbitrarily-limited profits can only prolong shortages and reduce production and employment.

A selection from "Economics in One Lesson" by Henry Hazlitt. Special Pocket Book edition published by arrangement with Harper & Brothers for the Foundation for Economic Education, Irvington-on-Hudson, N. Y. 193 pp. 3 for $1.00.

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